



WALL STREET VS. THE REGULATORS

Attitudes on Banks, Financial Regulation,
Consumer Finance, and the Federal Reserve

Findings from the Cato Institute 2017 Financial Regulation Survey

EMILY EKINS

WALL STREET VS. THE REGULATORS

Attitudes on Banks, Financial Regulation,
Consumer Finance, and the Federal Reserve

Findings from the Cato Institute 2017 Financial Regulation Survey

EMILY EKINS

Overview

Americans Distrust Government Financial Regulators as Much as They Distrust Wall Street

Although Americans are distrustful of Wall Street, they are similarly distrustful of the Wall Street regulators tasked with overseeing the industry: 48% have “hardly any confidence” in either.

Americans have a love-hate relationship with regulators. Most believe regulators are ineffective, selfish, and biased:

- 74% of Americans believe regulations often fail to have their intended effect.
- 75% believe government financial regulators care more about their own jobs and ambitions than about the well-being of Americans.
- 80% think regulators allow political biases to impact their judgment.

But most also believe regulation can serve some important functions:

- 59% believe regulations, at least in the past, have produced positive benefits.
- 56% say regulations can help make businesses more responsive to people's needs.

However, Americans do not think that regulators help banks make better business decisions (74%) or better decisions about how much risk to take (68%). Instead, Americans want regulators to focus on preventing banks and financial institutions from committing fraud (65%) and ensuring banks and financial institutions fulfil their obligations to customers (56%).

Americans Are Wary of Wall Street, But Believe It is Essential

Nearly a decade after the 2008 financial crisis, Americans remain wary of Wall Street.

- 77% believe bankers would harm consumers if they thought they could make a lot of money doing so and get away with it.
- 64% think Wall Street bankers “get paid huge amounts of money” for “essentially tricking people.”

Emily Ekins Ph.D. is a research fellow and director of polling at the Cato Institute

- Nearly half (49%) of Americans worry that corruption in the industry is “widespread” rather than limited to a few institutions.

At the same time, however, most Americans believe Wall Street serves an essential function in our economy.

- 64% believe Wall Street is “essential” because it provides the money businesses need to create jobs and develop new products.
- 59% believe Wall Street and financial institutions are important for helping develop life-saving technologies in medicine (59%).
- 53% believe Wall Street is important for helping develop safety equipment in cars.

Few Americans Want “More” Financial Regulations—They Want the Right Kinds of Regulations, Properly Enforced

Polls routinely find that a plurality or majority of Americans want more oversight of Wall Street banks and financial institutions. This survey is no different. A plurality (41%) of Americans think more oversight of the financial industry is needed. However, only 18% think the problem with federal oversight of the banking industry is that there are “too few” rules on Wall Street. Instead, 63% say the government either fails to “properly enforce existing rules” (40%) or enacts the “wrong kinds” of regulations on big banks (23%).

Most Are Skeptical Dodd-Frank Will Prevent Future Financial Crises

Will Dodd-Frank financial reforms work? Nearly three-fourths (72%) of Americans don't believe that new regulations on Wall Street and the financial industry passed since the 2008 financial crisis will make future crises less likely. Just over a quarter (26%) believe such regulations will make future financial downturns less likely.

Americans Oppose Too Big to Fail

Americans reject the idea that some banks are so important to the U.S. economy that they should receive taxpayer dollars when facing bankruptcy. Instead, 65% say that “any bank and financial institution” should be allowed to fail if it can no longer meet its obligations. A third (32%), however, believe that some banks are too important to the U.S. financial system to be allowed to fail.

- Part of the reason most oppose the “Too Big to Fail” model may be that 60% believe that banks would make better financial decisions if they were convinced government would let them go out of business.

- Clinton voters (41%) are about twice as likely as Trump voters (20%) to believe some banks are too integral to the U.S. economy to fail. Libertarians are most opposed (81%) to bailing out banks.

Despite Distrust of Wall Street, Americans Like Their Own Banks and Financial Institutions

- 90% are satisfied with their personal bank; 76% believe their bank has given them good information about the rates and risks associated with their account.
- 87% are satisfied with their credit card issuer; 81% believe their credit card issuer has given them good information about the rates, fees, and risks associated with their card.
- 83% are satisfied with their mortgage lender.
- Of those who have used payday or installment lenders in the past year, 63% believe the lender gave them good information about the fees and risks associated with the loan.¹

Americans Want Regulators to Prioritize Fraud Protection, Ensure Banks Keep Promises

Financial regulators have a variety of tasks and goals. The public, however, believes that regulation should serve two primary functions: to protect consumers from fraud (65%) and to ensure banks fulfill obligations to their account holders (56%). Other initiatives such as restricting access to risky financial products (13%) is a priority among far fewer people.

Democrats and Republicans Want a Bipartisan Commission to Run CFPB, Divided on CFPB Independence

- Most support changing the structure of the Consumer Financial Protection Bureau (CFPB), a new federal agency created by Dodd-Frank in 2011. Nearly two-thirds (63%) of Americans think the CFPB should be run by a bipartisan commission of Democrats and Republicans, rather than by a single director. Support is post-partisan with 67% of Democrats and 64% of Republicans in favor of a bipartisan commission leading the agency.

¹ Asked of 4% of respondents who have used payday or installment lenders in the past 12 months, N=71.

- A majority (54%) of Americans think that Congress should not set the CFPB's budget and should only have limited oversight of the agency. Given that only 7% of the country has confidence in Congress, these numbers are not surprising. A majority of Democrats (58%) support keeping the CFPB independent while a plurality of Republicans (50%) say Congress should closely oversee the new agency and set its budget.
- Few Americans (26%) believe the CFPB has achieved its mission to make the terms and conditions of credit cards and financial products easier to understand. Instead, 71% say that since the CFPB was created in 2011 credit card terms and conditions have not become easier to understand—including 54% who believe they have stayed the same and 17% who think they have become less clear.

Americans as Likely to Say CEOs, NFL Football and NBA Basketball Players Are Overpaid, But Most Oppose Government Regulating Pay

Americans are about equally likely to think that CEOs (73%) and professional athletes like NBA players (74%) and NFL players (72%) are paid “too much.” Yet, the public doesn't think the government ought to regulate the salaries of either corporate executives (53%) or professional athletes like NBA players (69%). Nonetheless, there is more support for regulating CEO pay (43%) than NBA salaries (28%).

Notably, compared to CEOs (73%) and NBA players (74%), far fewer believe that major tech company entrepreneurs are overpaid (51%).

Democrats support (56%) government regulating the salaries of CEOs but oppose regulating salaries of NBA players (66%) and famous actors (69%). In contrast, about 7 in 10 Republicans oppose government regulating the salaries of all three professions, even though they are more likely than Democrats to believe NBA players (60% vs. 47%) and famous actors (59% vs. 37%) are overpaid.

Most Support Risk-Based Pricing for Loans, Say Low Credit Scores are Due to Irresponsibility

Nearly three-fourths of Americans (74%) say they'd be “unwilling” to pay more for their home mortgage, car loan, or student loan to help those with low credit scores access these loans.

Americans may be unwilling to pay more to help those with low credit scores in part because a majority (58%) believe low credit scores are primarily due to irresponsibility, rather than circumstances beyond a person's control (41%).

- Partisans sharply disagree about the cause of a low credit score. Most Democrats (57%) say low scores are primarily the result of “circumstances beyond [one’s] control” while 74% of Republicans and 63% of independents say “irresponsibility” is the primary cause.

Americans are Unsure if Banks Charging Some People Higher Interest Rates is Justified or Predatory

A slim majority (52%) believe banks and financial institutions need to charge some people higher interest rates for loans and credit cards if those individuals present higher credit risks. Another 46% believe banks charge some people higher rates for loans in order to take advantage of those with few other options.

- Partisans disagree about why banks charge people different rates. A majority (56%) of Democrats believe lenders charge some people higher interest rates because they are predatory and take advantage of the vulnerable. In contrast, two-thirds (67%) of Republicans believe banks need to do this to compensate themselves for some borrowers’ greater credit risk.

Most Oppose Accredited Investor Standard, Say Law Should Not Restrict Investment Options Based on Wealth

Due to current law, some investments are deemed too risky for the common investor and are only available to those with one million dollars in assets or who make \$200,000 or more a year. However, a majority of Americans (58%) say the law should not restrict what people are allowed to invest in based on their wealth or income—even if the investments in question are risky. Thirty-nine percent (39%) think the law should restrict access to certain investments deemed risky.

- Strong liberals are unique in their support (57%) of government restricting access to risky investments based on a person’s wealth. Support drops to 45% among moderate liberals and to a third among conservatives.

Most Support Helping Low-Income Families Own Homes Unless Policies Escalate Mortgage Defaults

Nearly two-thirds (64%) of the public support government policies intended to make it easier for low-income families to obtain a mortgage. However, a majority (66%) would oppose such policies if they resulted in more mortgage defaults and home foreclosures.

43% of Americans Would Pay for \$500 Unexpected Expense with Savings

Less than half (43%) of Americans say they would pay for an unexpected \$500 expense using money from savings or checking. The remainder would put the expense on a credit card (23%), ask family and friends for money (8%), sell something (7%), borrow the money from a bank or payday lender (5%), or simply not be able to pay it (12%).²

Most Say Bad Financial Decisionmaking Due to Lack of Financial Education and Self-Discipline

The public says the top three reasons consumers make bad financial decisions include lacking financial education (70%), lacking self-discipline (60%), and facing financial hardship (54%). Less than half say that consumers being “misled or tricked” (43%), taken advantage of (42%), or incapable (30%) are primary causes.

- Both Democrats (72%) and Republicans (72%) agree that a lack of financial education is key.
- Republicans (70%) are nearly 20 points more likely than Democrats (51%) to say that a lack of self-discipline is a primary reason for unwise decisionmaking.
- Democrats are roughly 20 points more likely than Republicans to say that poor financial decisionmaking is due to external circumstances such as financial hardship (66% vs. 45%), being tricked (52% vs. 32%), or being taken advantage of (52% vs. 30%).

Most Say Government Should Allow Individuals to Make Their Own Financial Decisions—Even If They Make the Wrong Ones

When it comes to promoting and managing consumers’ financial health, most believe (58%) that individuals “should be allowed to make their own decisions even if they make the wrong ones.” However, 4 in 10 say that sometimes government regulators “need to write laws that prevent people from making bad decisions.”

- A majority of Democrats (57%) believe that sometimes regulators need to write laws that protect people from making bad decisions
- Majorities of Republicans (73%) and independents (69%) don’t think government should restrict people’s financial choices to protect them.

² One percent (1%) say they would find some other way to pay the unexpected expense.

Few Americans Know a Lot about the Federal Reserve; Among Those Informed, the Fed Polarizes Partisans

- Only 20% of Americans say they have heard of the Federal Reserve and understand what it does very well. Half (50%) have heard of the Fed but don't understand everything it does; 22% have heard of the Fed but don't know what it does while 6% have never heard of it.
- Tea Partiers (67%), libertarians (57%) and conservatives (50%) are about three times as likely as liberals (19%) to say the Fed has "too much power."
- Pluralities of libertarians (50%) and strong conservatives (50%) believe the Fed helped cause the 2008 financial crisis. In contrast, a plurality of liberals (43%) believe the Fed cut the crisis short.
- Among those with an opinion, 68% of Democrats want Federal Reserve officials to primarily determine interest rates in the economy. Conversely, 74% of Republicans want the free-market system to do this.

Other Interesting Findings About Consumers' Financial Behavior and Attitudes

- 26% of Americans under 30 plan to rely on Social Security in retirement, compared to 57% of 30–55 year olds. A plurality (49%) of young people plan to rely on personal savings, compared to a third of 45–64 year olds.
- Only 25% of Americans considered the impact of opening their most recent credit card on their credit score.
- 23% of Americans (and 37% of those under 30) believe the maximum loan amount a mortgage lender approves is an indicator of how much home a person can afford.
- 79% of Americans bought their first house without the help of their parents and saved for the down payment on their own.
- Most people get financial advice from family and friends (38%), independent research they do online (30%), or hired advisors like financial planners (17%) and accountants (13%). Few get financial information and advice from government agencies like the Consumer Financial Protection Bureau (CFPB) (4%).

Love or Hate Wall Street Fact Sheet

Would Harm Consumers

77% Believe many bankers would harm consumers if they could make money and thought they could get away with it

Don't Earn their Money

66% Believe Wall Street bankers get paid huge amounts of money for "essentially tricking people"

Bankers Less Moral

72% Think Wall Street bankers are "more greedy and selfish" than other people

Wall Street is Essential

64% Believe Wall Street is "essential" because it provides money businesses need to grow, develop new products

Wall Street Offers Benefits

59% Say Wall Street is important for developing life-saving technologies in medicine

Let Banks Get Rich

56% Say banks should be allowed to make as much money as they can, as long as they don't mislead their customers

Love or Hate Regulators Fact Sheet

Have Necessary Knowledge

58% Believe regulators have the knowledge and information necessary to do their jobs

May Prevent Crisis

64% Think government regulators may help prevent another financial crisis (but 72% don't think post-2008 reforms will prevent future crises)

Keep Business Responsive

56% Say government regulation is a good way of making business more responsive to people's needs

Have Helped in the Past

59% Believe many important positive benefits have resulted from government regulation of business

Politically Biased

80% Believe that regulators allow their own political biases and opinions to influence their jobs

Self-Interested

75% Believe regulators care more about their own jobs and ambitions than Americans' overall economic well-being

Don't Effectively Protect

68% Say regulators do a fair or poor job protecting consumers (68%)

Don't Improve Decisions

74% Don't think regulators improve business decisionmaking: 52% say no difference, 22% say regulators make it worse

Don't Better Understand Risk

68% Say bank managers and investors understand better than regulators how much risk their bank can handle

Table of Contents

I.	Overview	1
	a. Fact Sheet: Love or Hate Wall Street and Government Regulators	8
II.	Confidence in Wall Street and Financial Regulators	12
	i. Public Distrusts Govt Financial Regulators as Much as They Distrust Wall Street	12
	ii. Love or Hate Wall Street?	12
	iii. Confidence in Wall Street Hasn't Yet Recovered from 2008	13
	iv. Love or Hate Government Financial Regulators?	14
	v. Partisan Divide and Consensus on Regulation	15
	vi. Market Regulation or Government Regulation?	17
	a. Public Appetite for Regulating Financial Institutions	19
	vii. What Do Americans Mean by "More Regulation" of Wall Street?	19
	viii. What Kind of Wall Street Regulation Do Americans Want?	21
	b. Responses to the 2008 Financial Crisis	22
	ix. Was Dodd-Frank Worth It?	22
	x. Americans Oppose Too Big to Fail	22
	c. CEO Compensation	23
III.	Consumer Finance and Financial Protection	26
	a. Consumer Interactions with the Financial System	26
	i. Satisfaction with Own Financial Institutions vs. the Financial Industry	26
	ii. What Financial Products Do People Use?	28
	iii. Retirement Planning	29
	iv. Who Plans to Rely Most on Social Security?	29
	v. Getting Financial Advice	30
	vi. How Do Americans Decide What Credit Card to Open?	31
	vii. Financial Fragility	32
	b. Homeownership in America	33
	i. How Do Americans Determine How Much Home to Buy?	33
	ii. Securing the Down Payment	34
	c. Attitudes Toward Government Housing Policy	35
	i. Should Govt Encourage Homeownership Among Low-Income Families?	36
	d. Consumer Attitudes About Credit	37
	i. Do Americans Support Risk-Based Pricing?	37
	ii. What Do Americans Think Causes a Low Credit Score?	37
	iii. What Determines Interest Rates Lenders Charge?	39
	iv. Are Lenders Justified or Predatory in Charging Some People Higher Rates?	40
	v. Do Americans Support Interest Rate Caps?	42
	e. Consumer Financial Protection	43
	f. Consumer Financial Protection Bureau	44
	i. CFPB Polarizes Political Partisans	44
	ii. Democrats and Republicans Support Changing CFPB Structure	45
	iii. Support for CFPB Independence	45
	iv. Has the CFPB Achieved Its Mission?	46
	g. Accredited Investor Standard	48
	h. Responsibility for Consumer Financial Health	49

i.	Home-Buying and Investing Decisions	50
ii.	Why Do Americans Hold Individuals Primarily Responsible for Financial Health?	52
IV.	The Federal Reserve	54
i.	Knowledge of the Federal Reserve	54
ii.	Federal Reserve Independence.....	54
iii.	Power of the Federal Reserve	54
iv.	Does the Federal Reserve Stabilize the Economy?	55
v.	Should the Fed or Markets Steer Interest Rates in the Economy?	56
vi.	What Determines Support for Fed or Markets Steering Interest Rates?	57
V.	Appendix: Belief in Free Will Index.....	58
VI.	Survey Methodology.....	59

Acknowledgments

The survey instrument was designed by Emily Ekins, Thaya Brook Knight, and Lydia Mashburn. The author would like to thank the many individuals who also provided valuable input into the survey design and research process including Peter Van Doren, George Selgin, Jim Dorn, Norbert Michel, Hester Peirce, John Samples and Tom Clougherty. The author would also like to thank David Kemp for his research and creative assistance.

For questions please contact:
Emily Ekins, Director of Polling
eekins@cato.org

Cover design by Roshni Ashar and Jon Meyers.

CATO INSTITUTE
1000 Massachusetts Ave., N.W.
Washington, D.C. 20001
www.cato.org

Confidence in Wall Street and Financial Regulators

Americans Distrust Government Financial Regulators as Much as They Distrust Wall Street

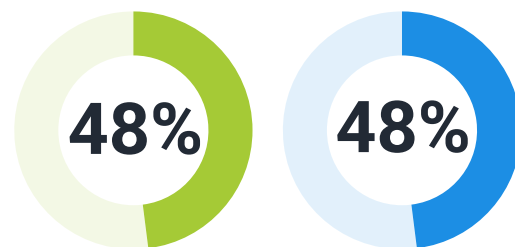
Public opinion surveys have long found that Americans lack confidence in Wall Street banks and financial institutions in the U.S..³ However, Americans distrust government financial regulators as much as they distrust Wall Street with nearly half (48%) having “hardly any confidence” in either. Less than 1 in 10 say they have a great deal of confidence in either Wall Street (7%) or government financial regulators (8%).⁴

Although Democrats are 16 points more likely than Republicans to lack confidence in Wall Street (54% vs. 38%), both groups are about equally likely to distrust financial regulators (46% vs. 48%).

Do you have confidence in...

How much confidence do you have in...

% "Hardly Any Confidence"



Wall Street

Govt Financial Regulators

CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Love or Hate Wall Street?

Americans are ambivalent toward Wall Street banks and financial institutions. On the one hand, Americans think too many in the financial industry are corrupt and overpaid. On the other, they believe Wall Street serves an essential function in the U.S. economy.

For instance, 77% believe the big banks would harm consumers if they thought they'd “make a lot of money and get away with it,” and 72% believe bankers are “more greedy and selfish” than other people. On top of that, nearly two-thirds (64%) think bankers get paid huge amounts for “essentially tricking people.”



Bankers Get Paid Huge Amounts of Money for “Essentially Tricking People”

³ See Karlyn Bowman and Andrew Rugg, *Five Years After the Crash: What Americans Think about Wall Street, Banks, Business, and Free Enterprise*, (Washington: American Enterprise Institute, 2013), PDF ebook.

⁴ 42% of Americans have “only some confidence” in Wall Street and 41% have “only some confidence” in government financial regulators.

At the same time, nearly two-thirds (64%) also believe Wall Street is “essential” because it provides the money that businesses need to create jobs and develop new products. Majorities also believe Wall Street banks and financial institutions are important for developing life-saving technologies in medicine (59%) and safety equipment in cars (53%).

Although Americans have lost confidence in Wall Street, they haven’t given up on the capitalist ideal: 56% say banks and financial institutions should be allowed “to make as much money as they can” so long as they don’t mislead their customers. Less than half (42%) say banks should not be allowed to make too much money or else they’ll become too big and powerful.

Partisans tend to share positive and negative evaluations of Wall Street, but they disagree about whether banks should be allowed to become rich. While a majority (68%) of Republicans think banks should be allowed to become as wealthy as they can, a slim majority of Democrats (51%) worry that banks may become too large and powerful if allowed to become rich.

Confidence in Wall Street Hasn’t Yet Recovered

While Americans have both positive and negative perceptions of Wall Street today, they feel more unfavorably toward Wall Street than 20 years ago. In 2000, only 11% had “hardly any confidence” in Wall Street, a Harris Interactive poll found at the time. After the Enron and WorldCom scandals, skepticism rose to about a third, and distrust peaked at 57% during the 2008 financial crisis. While Wall Street recovered some good will since the crisis, the public remains skeptical of the U.S. financial industry today: 48% have “hardly any confidence” in financial institutions.



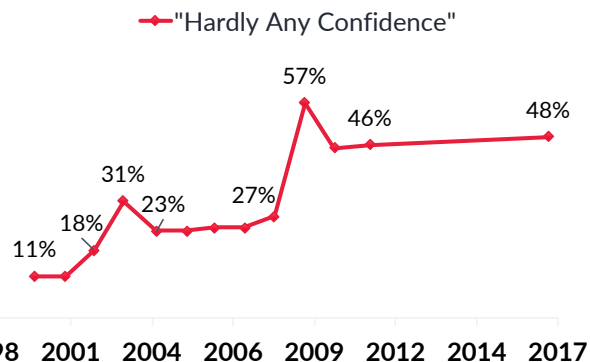
Wall Street is “Essential” Because it Provides Money for Businesses to Create Jobs and Innovate



Banks Should Be Allowed to Make as Much Money as They Can, so Long as They Don’t Mislead Customers

Confidence in Wall Street Hasn’t Recovered Since 2008 Financial Crisis

As far as people in charge of running Wall Street are concerned, would you say you have a great deal of confidence, only some confidence, or hardly any confidence at all in them?



2000–2011: HARRIS INTERACTIVE
2017: CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Love or Hate Government Financial Regulators?

Despite public distrust of Wall Street, Americans don't trust the nation's financial regulators to properly oversee the financial industry either. The public believes that regulators have the capacity to serve the public interest but are typically ineffective, selfish, and politically biased.

First, 74% of Americans think regulations too often fail to have their intended effect. They also lack confidence in financial regulators' ability to improve business decisionmaking (74%). Rather, they think bank executives have a better understanding than regulators of how much risk their business can handle (68%). Overall, two-thirds of the public rates regulators as doing a "poor" or "fair" job both for overseeing the financial industry (66%) and protecting consumers (68%).

Next, despite government regulators being public servants, 75% of Americans believe regulators care more about their own jobs and ambitions than about Americans' economic well-being.

In addition, most think regulators are biased. Fully 80% say financial regulators allow their own political biases and personal opinions to influence their judgment on the job.



Say Regulations Often Fail to Have Intended Effect



Say Govt Regulators Care More About Themselves Than Americans



Say Govt Regulation Has Brought About Positive Benefits for Society

Although the public feels government financial regulators are failing to meet expectations, they do believe regulators have the capacity to serve positive functions. Americans believe that regulations in the past have produced positive benefits (59%) and that some regulation is necessary to protect the public interest (69%). Further, 6 in 10 believe that regulators, at least in theory, could help prevent another financial crisis (64%).



Key Insights: The public may feel regulators have the capacity for good but fail to achieve their goals because the public evaluates effective regulatory governance differently than regulators. When asked what the top priorities of federal regulation and banks should be, protecting consumers from fraud (65%) and ensuring banks and financial institutions fulfill their obligations to their customers (56%) topped the list. However, regulators often have a variety of other major priorities: for instance, promoting socially desirable consumption, discouraging financial products deemed risky, or directing banks' business decisions. That these goals do not align with the public's priorities may partially explain why roughly two-thirds believe regulators could help protect the public interest (69%) but aren't doing a good job (66%).

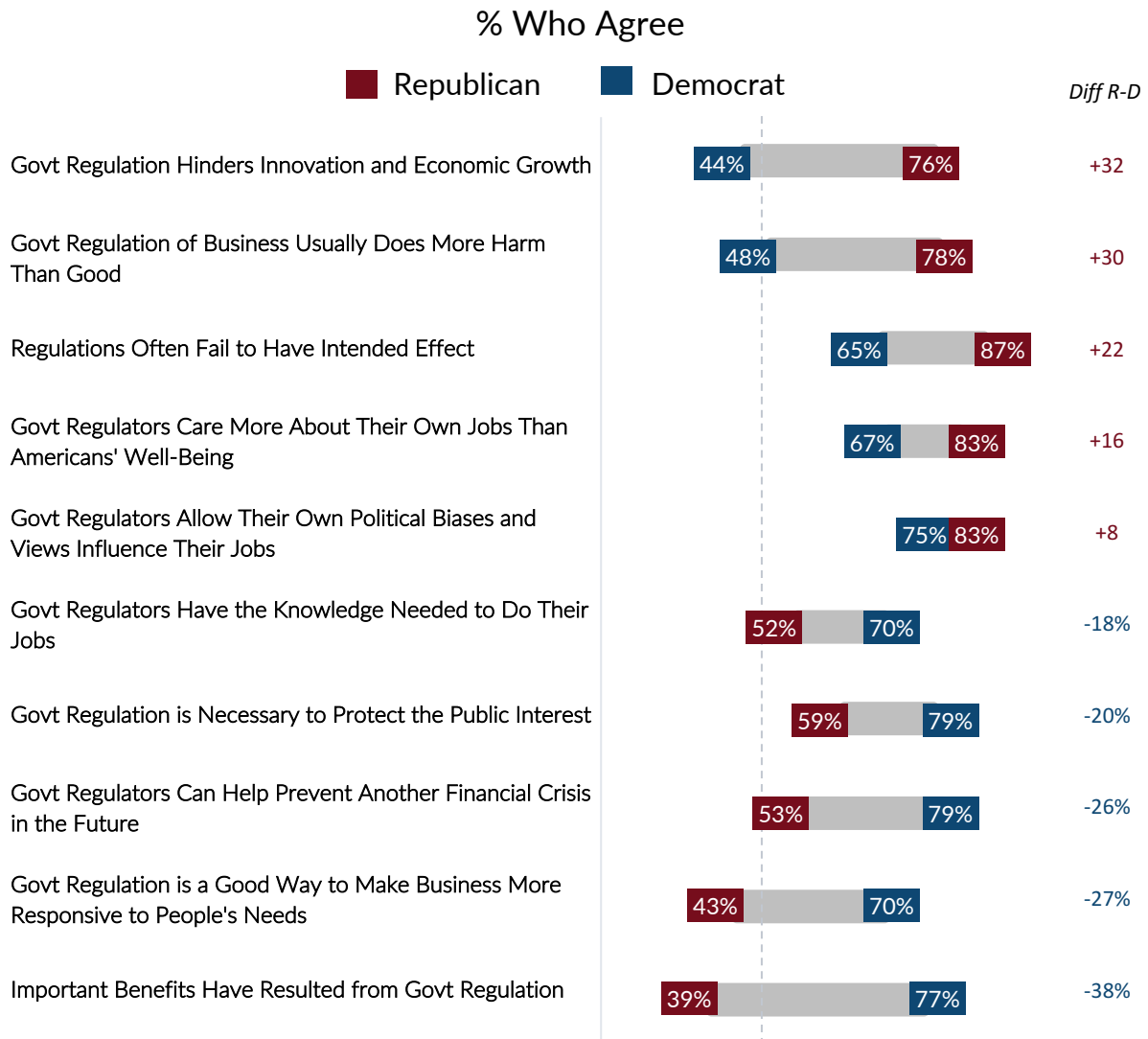
Partisan Divide and Consensus on Regulation

Surprisingly, partisans generally agree about positive and negative attributes of Wall Street and government financial regulators. However, partisans diverge widely when it comes to thinking about *regulation* more generally. Republicans tend to focus on the regulatory costs to efficiency while Democrats focus on using regulations to help protect vulnerable people. Nevertheless, both groups tend to agree that regulators are often ineffective, biased, and selfish but that some level of regulation is necessary to protect the public interest.

Republicans are about 30 points more likely than Democrats to perceive that regulation hinders innovation and economic growth (76% vs. 44%) and to believe that regulation usually does more harm than good (78% vs. 48%).

On the other hand, Democrats are 38 points more likely than Republicans to say that important benefits have resulted from government regulation (77% vs. 39%). Democrats are also about 30 points more likely to say regulation is a good way to make businesses more responsive to people's needs (70% vs. 43%) and to help prevent future financial crises (79% vs. 53%).

Wide Partisan Divide on Effectiveness of Government Regulation



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Market Regulation or Government Regulation?

Given the problems Americans perceive with government regulation of banks and financial institutions, do they think market forces might do a better job?

Majorities think that *neither* government regulation nor market forces would do a good or excellent job ensuring businesses behave ethically. However, *more* think that the free-market system (37%) would do a good job than government regulators (28%).

More people negatively rate government regulators for protecting consumers (68%) than they do the free-market system (50%) for protecting consumers if government regulation were reduced.

Republicans are far more likely than Democrats to have confidence in market forces after deregulation. While 63% of Democrats think the free-market system would do a poor or fair job protecting consumers if government regulation were curtailed, 58% of Republicans say it would do an excellent or good job. These results may provide helpful insight for Democrats perplexed by Republican insistence on reducing government regulation. From the perspective of many Republicans, the free-market system would do as good or even a better job than government regulation at protecting consumers.

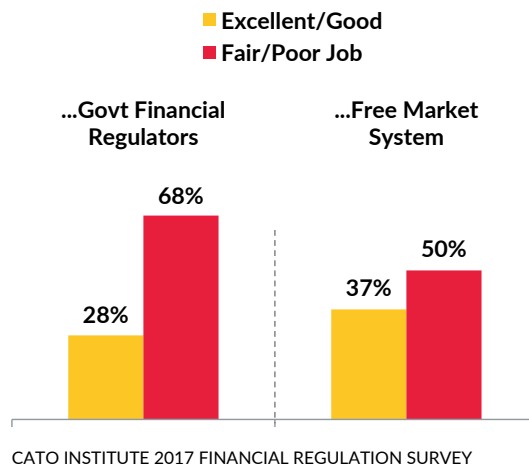
Most people believe that there will always be at least a few “bad apple” businesses who would try to exploit their customers. However, the question remains whether government regulation through legal mandates or market regulation through competition and profit maximization would do a better job reining in and holding such companies accountable.

More Think Free-Market System Would Do Better Job Protecting Consumers Than Govt Regulation

Q1: How good a job do you think government regulators are doing protecting consumers and investors from unethical business practices?

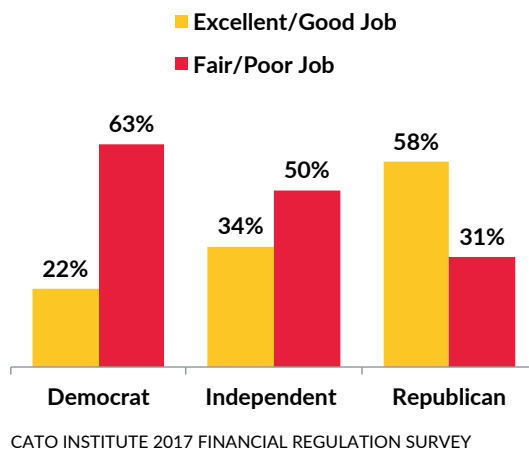
Q2: If government regulation of business were reduced significantly, how good of a job do you think the free-market system would do of ensuring businesses behave ethically?

How Good a Job Would Each Do Protecting Consumers...



Republicans Think Free-Market System Would Do a Good Job Protecting Consumers if Government Regulation Were Reduced

If government regulation of business were reduced significantly, how good of a job do you think the free-market system would do of ensuring businesses behave ethically?



These data suggest Americans may be open to policies enhancing market-based regulatory forces, such as repealing regulations that stifle competition, innovation, and entry into the market, rather than doubling down and increasing the number of government mandates.



Key Insights: When people talk about “deregulation” many Americans may think this implies allowing businesses to run amok and defraud people without accountability. Rarely does rhetoric about deregulation offer “market regulation” as a potentially better alternative to more “government regulation.” For instance, in competitive markets, most companies set standards for their products and services independently of what government requires in order to attract customers and make money. To keep up, competitors have good reason to adopt similar standards, or better ones. Yet, many people aren’t even aware of the concept of market regulation. They fear that without government regulation, no standards would exist.

Most reasonable people want the goods and services they use to meet some set of quality and safety standards. But questions remain: who determines what those standards should be? How do they make such determinations? How are they enforced? Markets do this through competition and profit maximization while governments do this through centralized deliberation and legal requirements. Both get it wrong sometimes: the question is which gets it right more often? Most Americans may not care who ensures products meet quality and safety standards, as long as it gets done.

These data suggest that Americans may be open to the idea that more market regulation may better promote the public interest than more government regulation.

Public Appetite for Regulating Financial Institutions

Despite the public's misgivings about government regulators, a plurality (41%) favor "more regulation" of banks and financial institutions, a third (33%) want to maintain current levels, and a quarter (25%) would prefer less financial regulation than there is today.



Support "More Regulation" of Banks and Financial Institutions

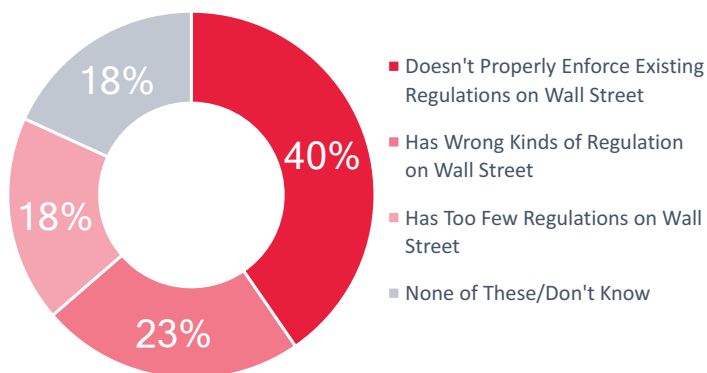
What Do Americans Mean by "More Regulation" of Wall Street?

Why are Americans so quick to say they support more regulation of the financial industry, especially given their lack of confidence in regulators and regulation in general?

First, few Americans want "more" regulations on the books—they want regulators to *properly enforce* the *right kinds* of rules. Only 18% say the problem with federal oversight of the banking industry is that there are "too few" regulations. Instead, 63% believe the problem is that regulators fail to "properly enforce existing regulations" (40%) or levy the "wrong kinds" of regulations on Wall Street (23%). Thus, the public doesn't simply want "more" or "less" oversight of the financial industry, they want smart and consistent oversight.

Few Americans Want "More" Financial Regulation, Most Want Right Kinds of Regulations Properly Enforced

In your view, which of the following is more of a problem when it comes to federal oversight of the banking and financial industry. The federal government...



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY



Key Insights: These data indicate that new financial regulations on Wall Street do not have the public support that many think they do. When Americans say there should be stricter oversight of the financial industry, that does not necessarily mean they want the kinds of increases in oversight and compliance found in bills like Dodd-Frank. Instead, many want regulators to enforce rules already on the books or to make existing rules smarter. Public support for "more regulation" found in polls is not necessarily about more or fewer laws, it is about getting the content of regulation right and then enforcing it.

Second, Americans don't believe there is already strict regulation of Wall Street. Only 18% think there is "a lot" of regulation today, 44% believe there is a fair amount, and 36% think there is only a little regulation of the financial industry.

Support for more Wall Street regulation depends on how much regulation one thinks already exists.

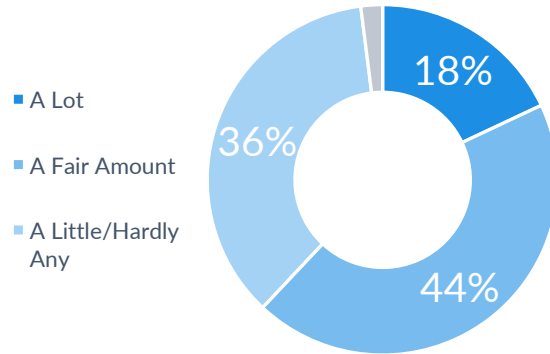
Among those who believe there is already "a lot" of regulation on banks and financial institutions, 61% believe we've gone too far and there needs to be less regulation on these businesses. However, among those who think there is only a little existing regulation on Wall Street, a majority (56%) believe more is needed.

One's household income and political ideology predict perceptions of how much Wall Street regulation currently exists. Notably, education does not.

About 3 in 10 households earning over \$100,000 a year think there is already a lot of regulation on Wall Street, compared to 1 in 10 of those earning less than \$50,000 annually. Libertarians (34%) and conservatives (33%) are about four times as likely as liberals (9%) and progressives (11%) to agree. Interestingly, those with college degrees are not much more likely than those with high school diplomas or less to believe Wall Street is highly regulated.

Few Americans Think There is Already a Lot of Regulation on Wall Street

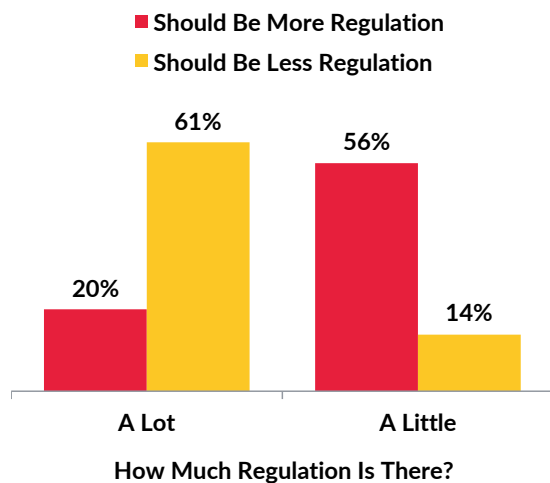
How much government regulation of banks and financial institutions do you believe there currently is?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
Note: Don't Know/Refused: 2%

Demand for More Regulation of Wall Street Depends on Knowledge of Existing Level of Regulation

Compared to what it's doing now, do you think there should be more government regulation of banks and financial institutions, less regulation of these companies, or about the same amount?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

What Kind of Wall Street Regulation Do Americans Want?

Americans generally agree on what the top two priorities for government financial regulators should be: first, protect consumers from fraud (65%) and second, ensure banks and financial institutions fulfill obligations to account holders (56%).

Respondents were asked to select their top three priorities for regulators; most agree on the first two. After that, Americans diverge on what should be financial regulators' focus and if they should take on additional social initiatives.

Less than a third agree the following should be top priorities for regulators: fostering economic growth (29%), ensuring bank efficiency (22%), preventing banks from making bad decisions (20%), promoting competition (18%), preventing consumers from making bad decisions (14%), banning risky financial products (13%), ensuring banks do not make too much profit (12%), and promoting innovation (10%).

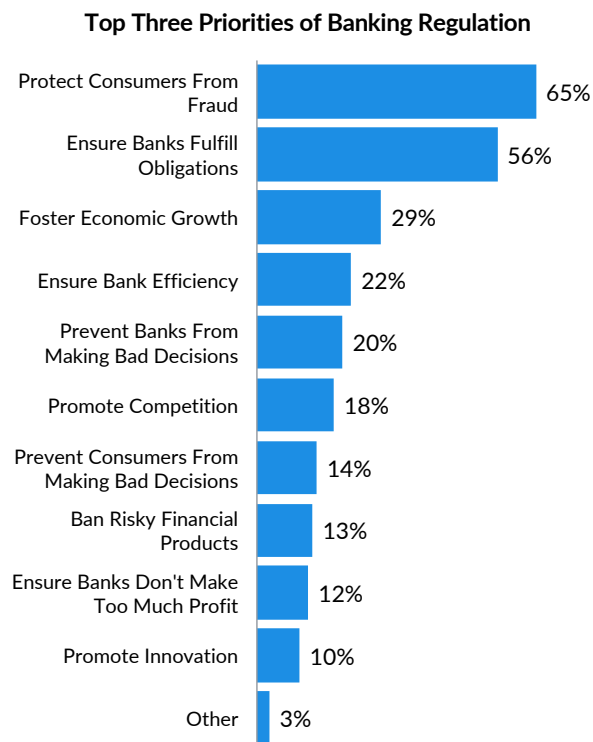
Given that the 2008 financial crisis focused public attention on excessive risk-taking by financial institutions, it's particularly interesting that only 13% say regulators should make it a priority to ban risky financial products.

As reported earlier, Americans do not think that regulators help banks better manage risk. Instead, they believe bank managers are better equipped to do this (68%). Further, most do not think that regulators help banks make better business decisions (74%). However, the public worries that banks and other financial institutions may fall prey to corruption—nearly half (49%) of Americans think that corruption on Wall Street is “widespread” rather than limited to a few institutions.

These data suggest Americans want regulators to ensure that Wall Street and financial institutions obey the law and don't defraud customers, rather than micromanage banks' business decisions.

Top Priorities for Govt Financial Regulators

What do you think should be the top three priorities of federal regulation of banks and financial institutions? (Select up to three)



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Responses to the 2008 Financial Crisis

Was Dodd-Frank Worth It?

Nearly three-fourths (72%) of Americans do not believe that new regulations on Wall Street and the financial industry passed since the 2008 financial crisis will reduce the chances of future crises. This includes 24% who think these regulations may actually make crises more likely to occur in the future and 48% who think they won't make much difference. A quarter (26%) think these new financial regulations will help prevent future crises.

Hillary Clinton voters are 34 points more likely than Donald Trump voters to believe such regulations will avert another financial meltdown (45% vs. 11%). Nevertheless, majorities of both lack confidence in such regulations to achieve their goals (54% vs. 87%).

Americans Oppose Too Big to Fail

Nearly two-thirds of Americans (65%) say that "any bank or financial institution should be allowed to fail" if it can't meet its obligations, no matter how important it is to the U.S. financial system. A third (32%) disagree and believe that some banks and financial institutions "are too important to the U.S. financial system to be allowed to fail."

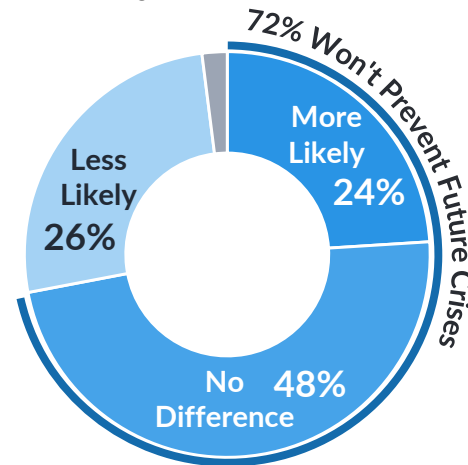
One reason people oppose the "too big to fail" model may be that 60% of Americans think that banks would make better financial decisions if they were convinced government would let them go out of business. About a quarter (22%) think this expectation wouldn't make a difference and 15% think it would lead to worse decisions.

Attitudes vary by race, partisanship, education, and the city/rural divide. Democrats (40%) are nearly twice as likely as Republicans (26%) to believe that some banks are too important to the U.S. financial system to be allowed to fail.

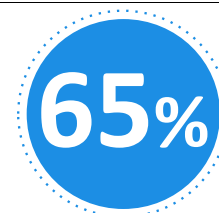
Was Dodd-Frank Worth It? Few Think Post-Crisis Financial Regulations Will Curb Future Crises

Would you say that new regulations on Wall Street and the financial industry passed since the 2008 financial crisis will make another financial crisis less likely to happen in the future, more likely to happen, or won't make much difference?

Will New Regulations Make Financial Crises....



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
Note: Don't Know/Refused: 2%



**Oppose
"Too Big to Fail"**
Say Any Bank
Should be Allowed
to Fail No Matter
How Important to
Financial System

Nevertheless, majorities of both (57% Democrats, 72% Republicans) believe any bank should be allowed to fail. Of the political groups, libertarians are most opposed to the “too big to fail” model. Fully 81% oppose bailing out banks, while 19% think there may be some exceptions.

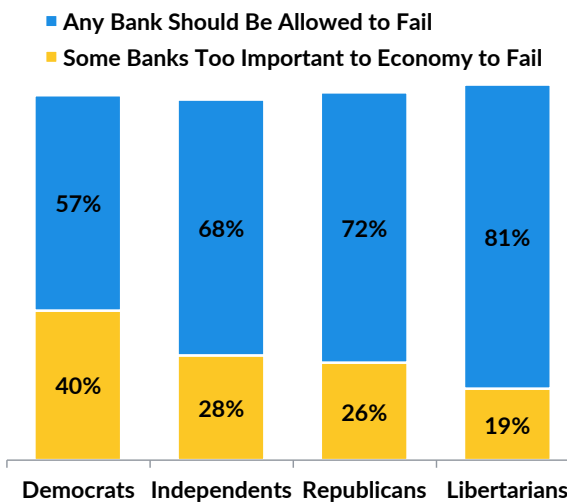
Support for “too big to fail” declines with education. About 4 in 10 high school graduates believe government transfers to banks may sometimes be necessary, compared to 26% of those with post-graduate degrees.

Racial groups also think differently about “too big to fail.” Nearly half (47%) of African Americans and Hispanics believe some financial institutions are too important to be allowed to fail, while 27% of white Americans agree.

There is also a city/rural divide. Four in 10 Americans living in cities think bank bailouts may sometimes be necessary to maintain the health of the U.S. economy while only a quarter of Americans living in rural areas agree.

Opposition to “Too Big to Fail” is Non-Partisan, Libertarians Most Opposed, Democrats Least

Are there some banks and financial institutions that are too important to the U.S. financial system to be allowed to fail, or should any bank or financial institution be allowed to fail if it can no longer meet its obligations?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

CEO Compensation

Americans think corporate CEOs in the United States are overpaid (73%). However, a majority (53%) don't think government should regulate their salaries. Less than half (43%) think government *should* regulate CEO pay.

Interestingly, Americans are about as likely to think NFL players (72%), NBA players (74%), and famous actors (70%) are overpaid as CEOs. Six in 10 think famous musicians are overpaid as well. Yet, far fewer think government should regulate any of their salaries.

Despite the immense wealth earned in Silicon Valley in recent years, Americans are about 20–25 points less likely to think that major tech company entrepreneurs are overpaid (51%) compared to professional

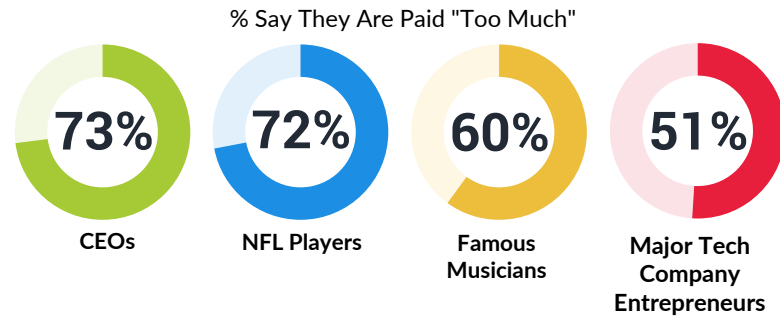


Say Government Should Not be Allowed to Regulate CEO Salaries

athletes, actors, and established CEOs. Perhaps veneration of entrepreneurship allays concerns about wealth accumulation among tech founders.

Are Some Jobs Overpaid?

In general, do you think each of the following are compensated too much, too little, or about the right amount?

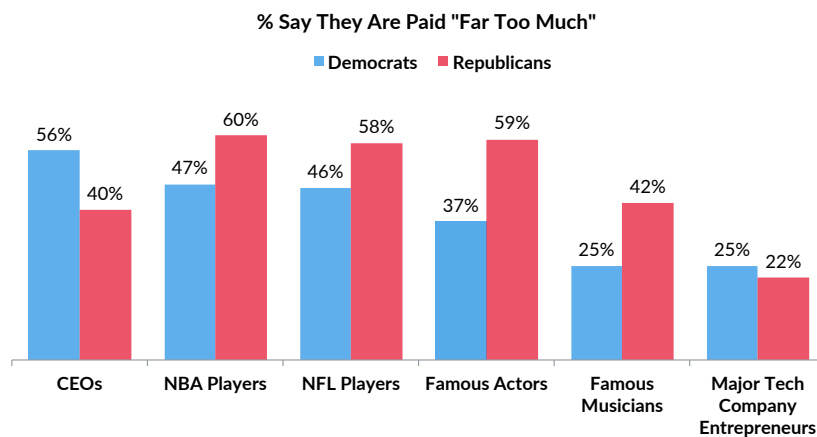


Partisans somewhat disagree about who is overpaid and what government might do about it. Democrats are more likely than Republicans to think CEOs are overpaid. But Republicans are more likely than Democrats to think that professional athletes and successful actors and musicians are paid too much.

For instance, a majority (56%) of Democrats say that CEOs are paid "far too much." However, majorities of Republicans say NFL players (58%), NBA players (60%), and famous actors (59%) are far overpaid. Republicans are about twice as likely as Democrats to think famous musicians are overcompensated (42% vs. 25%). Notably, only a quarter of either group feel the same way about major tech company entrepreneurs.

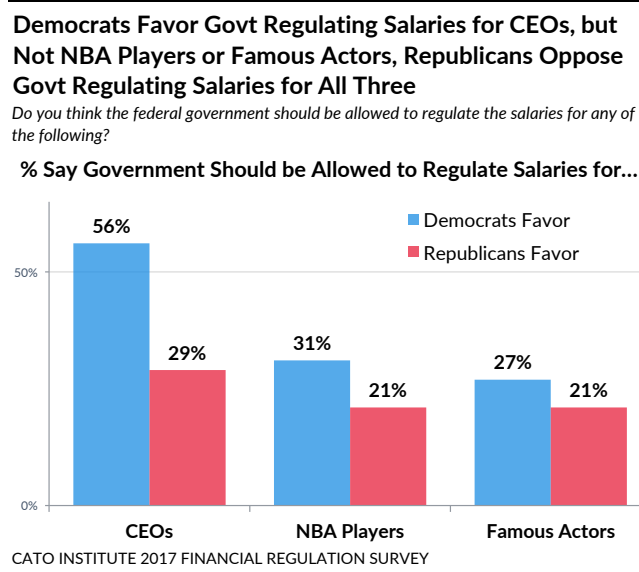
Democrats Say CEOs Paid "Far Too Much," Republicans Say NBA, NFL Players, and Famous Actors Far Overpaid

In general, do you think each of the following are compensated too much, too little, or about the right amount?



It appears that fondness for a particular industry and different perceptions about how much value that profession creates influence beliefs about compensation. Democrats tend to be more skeptical of the value of corporations and Republicans about professional sports, music, and movies. However, an appreciation of technology bridges the partisan divide.

Democrats and Republicans significantly disagree on whether government ought to play a role in regulating CEO pay. A majority (56%) of Democrats think government should be allowed to regulate the salaries of corporate executives, while 41% think it should not be allowed. In stark contrast, a strong majority (68%) of Republicans say government should *not* be allowed to regulate executive compensation, and 29% think it should.



Although Republicans are more likely than Democrats to think NBA players and famous actors are paid “far too much,” they are in fact *more opposed* to government regulation of these salaries than Democrats. While 8 in 10 Republicans think government should not have the authority to regulate the salaries of NBA players and famous actors, 7 in 10 Democrats agree. Democrats are about 6–10 points more likely to think government should have the power to regulate these salaries.

Consumer Finance and Financial Protection

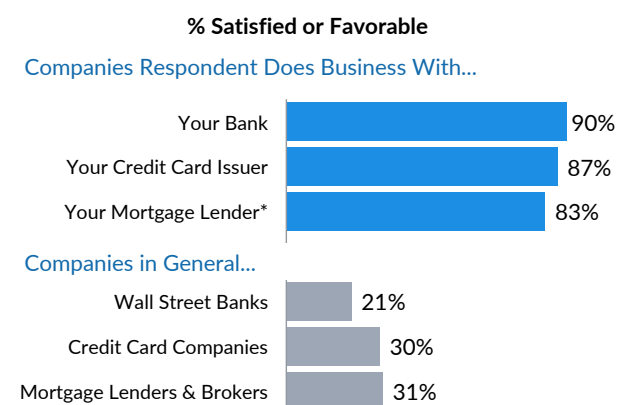
Consumer Interactions with the Financial System

Satisfaction with Own Financial Institutions vs. the Financial Industry Overall

Despite much public distrust and anger toward financial institutions during and since the 2008 financial crisis, Americans retain confidence in *their own* banks, credit card issuers, and mortgage lenders.

When Americans are asked about the financial institutions they personally do business with, 90% report being satisfied with their bank, 87% are satisfied with their primary credit card issuer, and 83% are satisfied with their mortgage lender.⁵ These ratings are far higher than evaluations of U.S. financial institutions overall. Only 30% have a favorable view of “credit card companies,” 31% have a favorable view of mortgage lenders and brokers, and 21% have a favorable view of Wall Street banks.

Americans Far More Favorable Toward Their Own Banks and Financial Institutions than Toward Financial Institutions in General



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Note: *Asked among homeowners who could rate their mortgage lender.

About 8 in 10 Americans also report their banks (76%) and credit card companies (81%) giving them good information about the fees, rates, and risks involved with their accounts. About a fifth say their bank (21%) misled or misinformed them about the fees and risks involved with their accounts or investments and 18% say their credit card issuers misinformed them about the rates and fees associated with their credit card.



Key Insights: Americans with less education and income are **no more likely** than Americans with more education and income to say banks or credit card companies misled them.

⁵ Results from those who own a home and can rate their mortgage lender.

Did These Companies Mislead You or Give You Good Information?

In general, do you believe [your bank] [the company issuing your credit card] [your payday/installment lender] ever misled you about the rates, fees, and risks associated with your [account][credit card][loan] or did they give you good information?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Note: Payday lender also includes evaluations of installment lenders. Asked of 4% of respondents who have used such lenders, N=71.

Notably, those with lower levels of education or income were not more likely to say their banks or credit card companies misled them. Interestingly, however, reports of misinformation did vary with personal beliefs about free will.

The author of this report created a Belief in Free Will Index (BFWI), a composite scale based on averaging answers to six questions that measured people's belief in free will.⁶ (See Appendix for question wording). Those skeptical of free will were more than twice as likely as those who strongly believe in it to say their credit card company misled them about the rates and fees associated with their credit card (28% vs. 12%).

While actual negative experiences certainly inform people's reports of U.S. financial institutions misleading them, these data suggest that beliefs about how the world operates may also play a role. Individuals who feel they lack agency in their lives are more likely to feel that companies take advantage of them.

A majority (63%) of those who used payday loans or installment loans in the past 12 months also believe these companies provided them good information about the fees and risks involved with the loan. However, slightly more said they were misled about the terms and risks of the loan (35%) compared to reports of banks and credit card companies.

⁶ Delroy L. Paulhus and Jasmine M. Carey, "The FAD-Plus: Measuring Lay Beliefs Regarding Free Will and Related Constructs," *Journal of Personality Assessment* 93, no. 1 (2011): 96-104.

People like the banks and financial institutions with which they do business. Yet they have unfavorable views of the industry at large. This suggests negative media coverage of specific instances of fraud and abuse may have colored Americans' views toward the industry but not necessarily toward their own banks, investment companies, lenders, or credit card companies.

What Financial Products Do People Use?

Americans report using or owning a variety of financial products in the past 12 months. Majorities of Americans use traditional banking and credit products including a checking account (82%), a debit card (73%), a credit card (65%), and a savings account (63%).

Far fewer report using investment products including 401(k)s (21%), IRAs (20%), stocks or bonds (14%), mutual funds (12%), money market accounts (11%), CDs (9%), or Index Funds (4%).

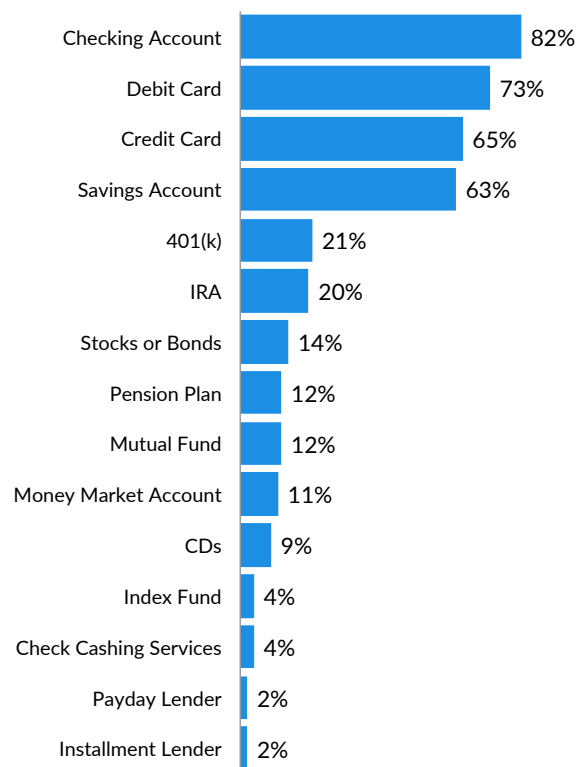
Another 12% report having a pension plan.

Few say they use non-traditional financial products like check cashing services (4%), payday lenders (2%), and installment lenders (2%).

Use and ownership of these financial products do not vary considerably by demographics. However, Republicans (51%) are more likely than independents (38%) and Democrats (37%) to own investment products such as IRAs, mutual funds, stock and bonds, and so on.

The Financial Products Americans Have Used in Past 12 Months

Which of the following financial products do you currently own, or use, or have you owned or used in the previous 12 months? (Select all that apply)



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Retirement Planning

Americans not already retired plan to rely primarily on Social Security (50%), private retirement accounts such as 401(k)s and IRAs (41%), and personal savings (40%) for their retirement income.

In 1980, 38% of private sector workers participated in a defined benefit pension plan.⁷ Today, the share of all workers who plan to rely on a pension plan for retirement has declined to 18%.

In addition to private retirement accounts, Americans plan to use other investment vehicles for retirement including stocks and bonds (13%), mutual funds (10%), or the sale of physical assets such as real estate (7%).

Another 8% say they will primarily rely on support from family members after they retire.

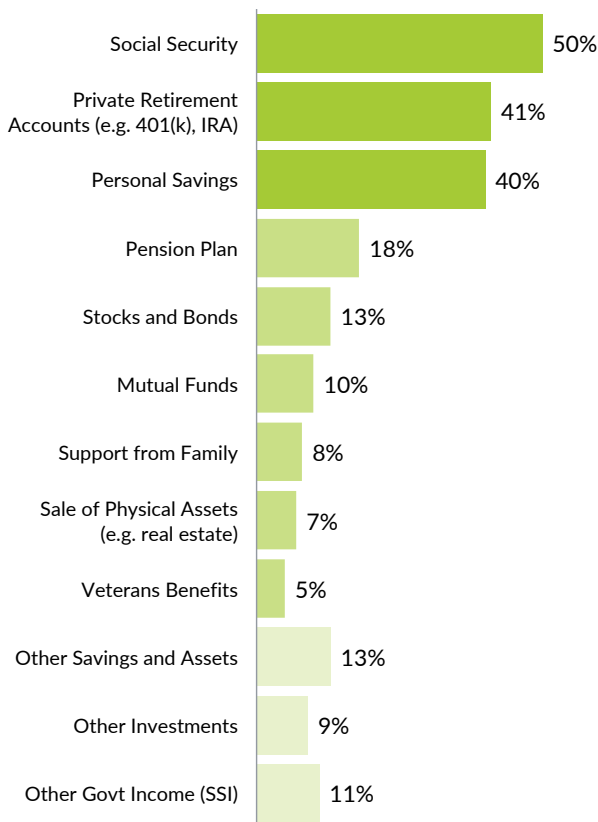
Besides Social Security, 11% say they plan to rely on other sources of government income or Veterans Benefits (5%).

Who Plans to Rely Most on Social Security?

Only a quarter (26%) of Americans under 30 plan to rely on Social Security for their retirement income—half the share of 45–54 year olds who also plan to do so (55%). Instead, nearly half (49%) of young Americans say they plan to rely on personal savings for retirement compared to 31% of those aged 45–54. Young Americans are also twice as likely (18% vs. 9%) as this older cohort to plan to rely on stocks and bonds for their retirement income.

What Americans Plan to Rely on for Retirement Income

[ASKED OF THOSE NOT RETIRED] Which of the following do you plan to rely on for retirement income? (Select all that apply)



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY



Young Americans Plan to Rely on Social Security for Retirement Income

⁷ Barbara A. Butrica et al., "The Disappearing Defined Benefit Pension And Its Potential Impact on The Retirement Incomes of Baby Boomers," *Social Security Bulletin* 69, no. 3 (2009):1-27.

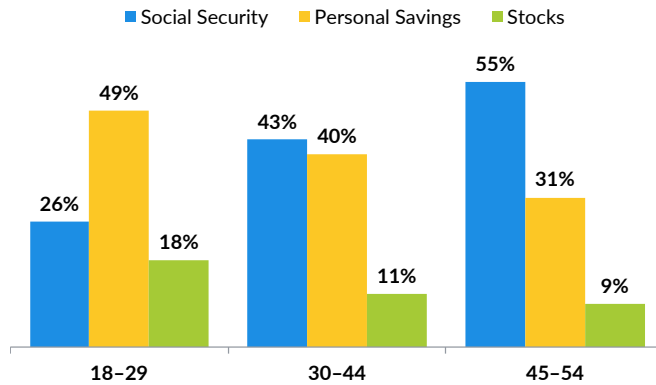
White Americans (56%) are also more likely to say they plan to rely on Social Security for retirement income than African Americans (40%) and Hispanics (40%).

Ten percent (10%) of Americans say they *only* plan to rely on Social Security or some other form of government income, such as Supplemental Security Income (SSI), in retirement. Compared to the general population, this group is more likely to have a high school degree or less (65% vs. 43%), be underemployed or unemployed (67% vs. 30%), and earn less than \$20,000 a year (38% vs. 19%). This group is unlikely to vote, with a majority (53%) who didn't vote in the 2016 presidential election. The remainder cast their ballots first for Hillary Clinton (30%) and second for Donald Trump (15%).

Major Differences Between Millennials' and GenXs' Retirement Savings Plans, Only Quarter of Young Americans Plan to Rely on Social Security

Which of the following do you plan to rely on for retirement income?

% Who Plan to Primarily Rely on Each of the Following for Retirement Income



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

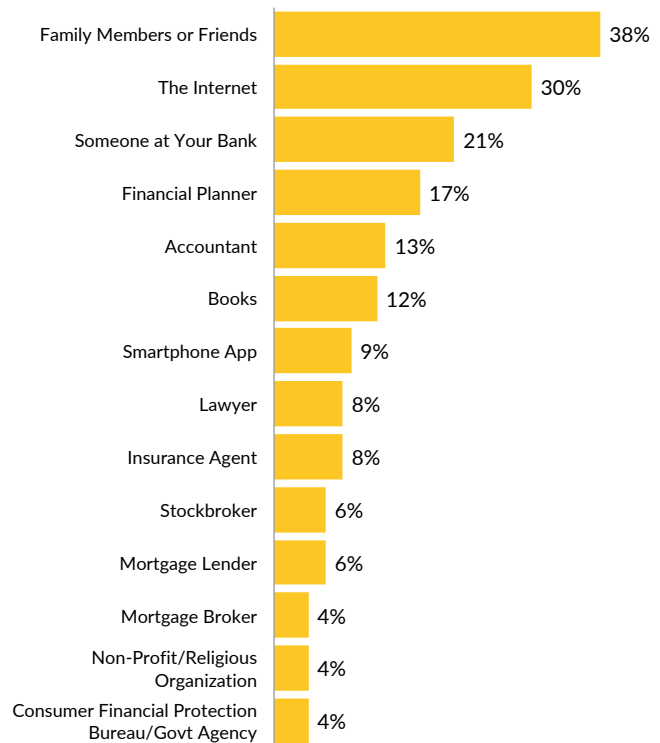
Getting Financial Advice

In order to make wise financial decisions, Americans rely on personal networks and private companies for advice or conduct their own research. Few turn to government agencies, non-profit, or religious institutions for this kind of information.

Most get advice from family members and friends (38%). Many do their own independent research using the Internet (30%), financial books (12%), or a smartphone app on money matters (9%). Others turn to private companies like their banks (21%), financial planners (17%), accountants (13%), lawyers (8%), insurance agents (8%), mortgage lenders (6%), stock brokers (6%), or

Where Americans Get Financial Advice

Which of the following, if any, have you used to get financial advice? (Select all that apply)



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

mortgage brokers (4%). Few get advice from government agencies like the Consumer Financial Protection Bureau (CFPB) (4%), or from non-profit or religious organizations (4%).

Top sources of financial advice vary somewhat by income group. Those earning less than \$50,000 annually primarily rely on family members and friends (37%), the Internet (28%), and people at their bank (21%). For those earning over \$50,000 a year they also turn to family members and friends (40%), the Internet (37%), but instead of asking someone at their bank they hire financial planners (27%).

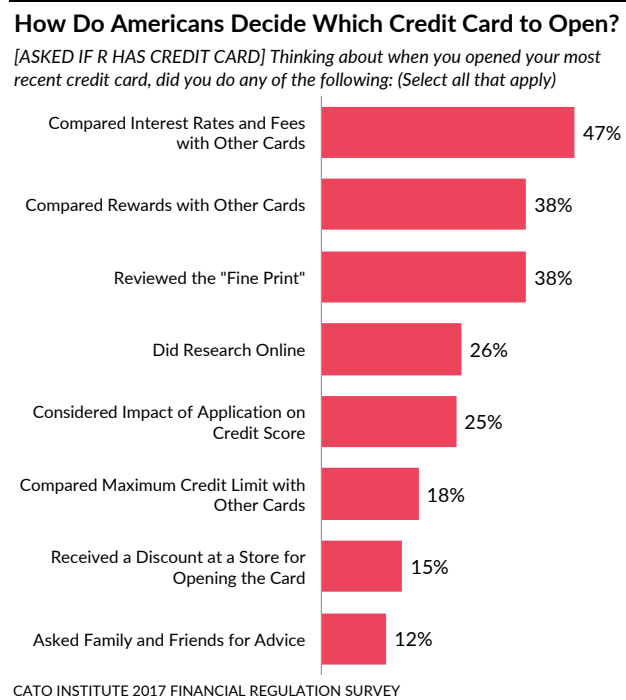
While higher income people are more likely to hire financial planners, accountants, and lawyers to provide financial advice, the Internet operates somewhat like an equalizer. For instance, those earning over \$100,000 a year (36%) are more than three times as likely as those earning less than \$50,000 a year (10%) to hire a financial planner for advice. However, individuals across income groups identify the Internet as one of their top three sources of information.

How Do Americans Decide What Credit Card to Open?

Before Americans open a new credit card, a plurality shop around first. About half (47%) say they compare interest rates and fees with other credit cards and 38% say they compare reward programs across cards. A quarter (26%) say they conduct some independent research online. Only 18% say they compared maximum credit limits with other cards. About 1 in 10 ask their friends and family for their advice before opening the card.

Most Americans, however, do not take the time to read the terms and conditions of the credit cards they use. Thirty-eight percent (38%) report reviewing the “fine print” of the card before opening it.

Most also do not consider the impact of opening the card on their overall credit score. Only a quarter considered this before applying for their most recent card.



Fifteen percent (15%) say they received a discount at a store when they opened their most recent credit card.

Young people take a different approach to opening credit cards than their parents' generation. Americans under 30 are less likely than those over 55 to have compared interest rates and fees with other cards (36% vs. 52%). However, young people are more likely than older Americans to compare the maximum credit limit with other cards (31% vs. 13%).



Considered Impact
of New Credit Card
Application on
Credit Score

As financial novices, young adults are also more likely to seek out advice before opening cards. Those under 30 are six times as likely as those over 55 to have asked family and friends for advice before opening their most recent card (30% vs. 5%). They are also about three times as likely as older people to have done research online, perhaps reading online credit card reviews (41% vs. 16%). For young people, more learn about the cards they open by doing online research than reading the lengthy terms and conditions provided.

Financial Fragility

Many American households lack the personal savings needed to cover large unexpected expenses. When asked how they would pay for an unexpected \$500 expense, 43% say they would pay for the expense using money in a savings or checking account. Nearly a quarter would put it on a credit card and wait to pay it until the next statement (13%) or some later date (10%). Others would resort to more unconventional measures: 8% would ask to borrow the money from family or friends, 7% would sell something. A small share say they'd borrow the money from a bank (2%), use a payday lender (2%), or an online lender (<1%).



Would Pay a \$500
Unexpected
Expense with
Money in
Savings/Checking

Twelve percent (12%) of Americans say they could not cover an expense of \$500.

As one might expect, Americans with more education and higher incomes are more likely to use cash reserves to handle large unexpected expenses. For instance, among those with high school degrees or less, 36% would pay with money in checking or savings, compared to 50% of college grads, and 61% of those with post-graduate degrees. A quarter of those with household incomes less than \$20,000 a year would pay with cash reserves compared to 52% among those earning \$60,000–\$99,999 a year and 66% among those earning more than \$100,000 a year.

These numbers align with Americans' ratings of their own financial well-being. Four in 10 report that they are in excellent (8%) or good (35%) financial shape today. A little more than a third (37%) say they finances are fair and about a fifth (18%) would rate their financial situation as poor.

Homeownership in America

How Do Americans Determine How Much Home to Buy?

One of the most significant financial decisions each of us will make is purchasing a home. How do Americans decide how much house they can afford to buy?

A little more than half of homeowners (51%) decided how much house they could afford to buy based on the total monthly payment they were comfortable paying. A third (32%) say the total monthly payment they felt comfortable paying in the future had a major impact.

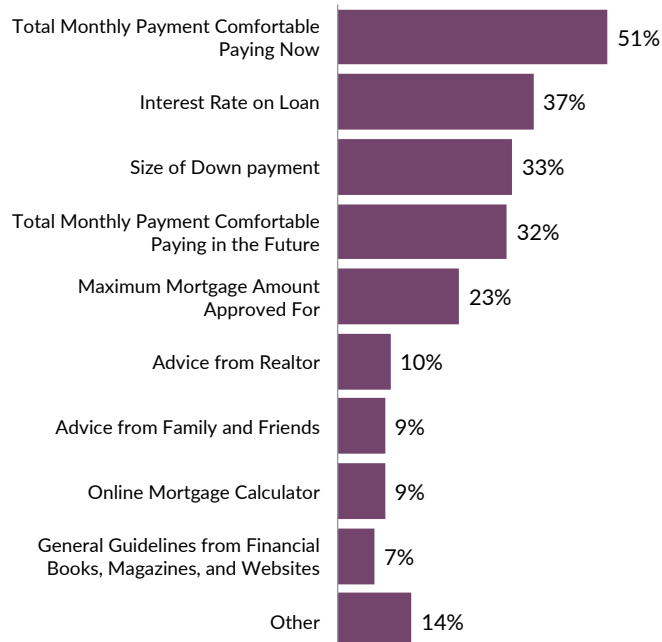
Another 37% of Americans say the interest rate on the loan had a major impact on how much house they bought. A third (33%) report the size of their down payment was also a major factor.

Smaller shares decided how much house to buy based on advice from their realtor (10%) or family and friends (9%), an online mortgage calculator (9%), or rules of thumb they learned from books, magazines, and websites (7%).

Even though lenders often approve maximum loan amounts above what most people can afford to spend on a home, a sizable minority (23%) report this had a major impact on how much house they decided to buy.

What Had a Major Impact When Deciding How Much You Could Afford to Spend on Your Home Mortgage?

[ASKED IF RESPONDENT HAS EVER OWNED A HOME] Which of the following had a major impact when you decided how much you could afford to spend on your home mortgage? (Please check all that apply)



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

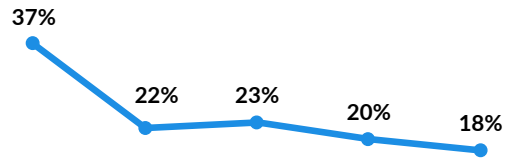


Think Maximum Approved Loan Amount Indicates Home Affordability

Young Americans (37%) are more likely than Americans over 65 (18%) to say the maximum mortgage amount they were approved for had a major impact on their perception of home affordability. Young adults are also about half as likely as older Americans to say the interest rate on the loan significantly impacted their decision (21% vs. 40%).

Young Americans Most Likely to Rely on Maximum Mortgage Amount Approval to Determine Home Affordability

Did the maximum mortgage amount you were approved for have a major impact when you decided how much you could afford to spend on your home mortgage?



Securing the Down Payment

When buying their first home, nearly 8 in 10 (79%) Americans say they saved for their down payment without help from their parents or other relatives. A fifth (20%) say they did receive help from mom and dad or other family members.

18-29 30-44 45-54 54-64 65+
CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Whites (19%) and Hispanics (26%) are twice to three times as likely as African Americans (9%) to report receiving familial help with the down payment.

Millennials and GenXers are slightly more likely than Baby Boomers to say their parents helped them with the down payments on their first homes. About a quarter (23%) of those under 55 years old say they received help from relatives. Seventeen percent (17%) of those over 55 similarly received financial assistance from their families when purchasing their first homes.

Nevertheless, majorities of Americans regardless of demographics and partisanship saved for their down payments independently, without help from relatives.



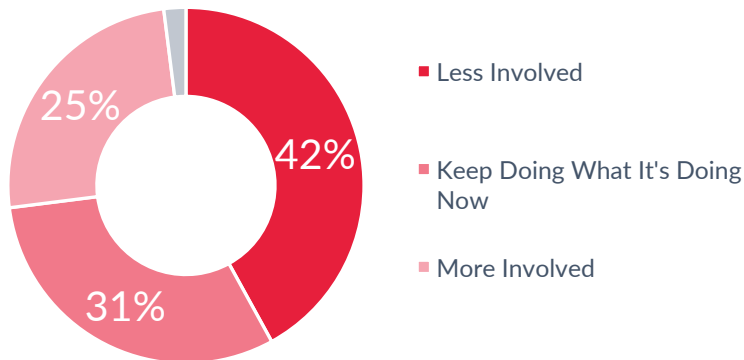
Saved for First House Down Payment Without Parents' Help

Attitudes Toward Government Housing Policy

A plurality of Americans (42%) say that government should be less involved in the housing market than it is currently. About a third (31%) say it should keep doing what it is doing now, and a quarter (25%) believe the government needs to be doing more for the housing market.

Plurality of Americans Want Government to Be Less Involved in the Housing Market

Do you think the federal government ought to be more involved in the housing market, less involved in the housing market, or keep doing what it's doing now?

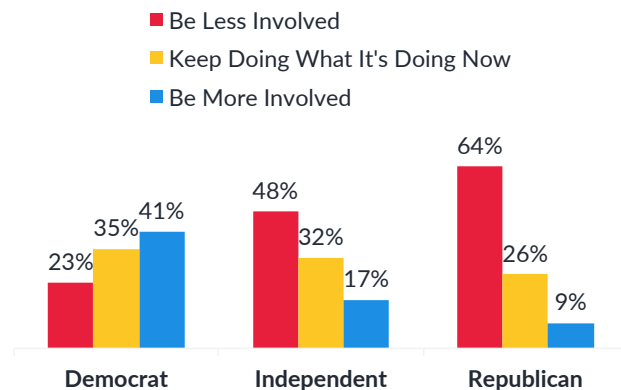


CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
NOTE: Don't Know/Refused: 2%

Republicans and Democrats disagree on the direction of government involvement in housing policy. A solid majority (64%) of Republicans and plurality of independents (48%) think government ought to be less involved in housing. However, a plurality (41%) of Democrats want government to be more involved.

Most Republicans Say Government Should Be Less Involved in the Housing Market, Plurality of Democrats Support More Govt Involvement

Should the federal government _____ in the housing market?



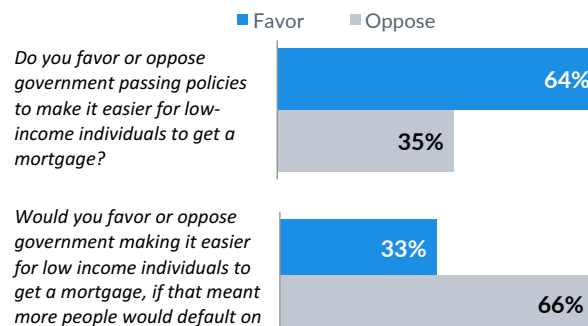
CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Should Government Encourage Homeownership Among Low-Income Families?

Nearly two-thirds (64%) of Americans would support government policies that make it easier for low-income individuals to obtain a mortgage, while 35% would oppose.

However, these results flip if government policies making it easier for low-income families to get mortgages also meant more people would default on their mortgages: 66% would oppose and 33% would favor.

Americans Support Making It Easier for Low-Income People to Buy Homes; But Majority Oppose If It Leads to Rise in Mortgage Defaults



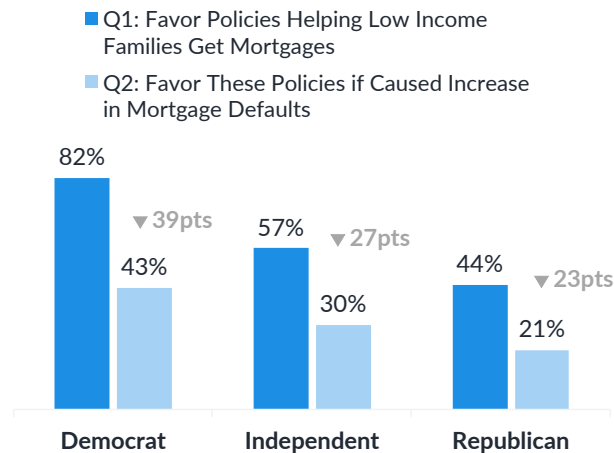
CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

At first, Democrats overwhelmingly support (82%) government policies that would help low-income families buy houses, as would a majority of independents (57%). A majority of Republicans, in contrast, would oppose (54%) this sort of government intervention.

Partisans Half as Likely to Support Policies to Make it Easier for Low-Income Families to Get a Mortgage If it Causes Rise in Mortgage Defaults

Q1: Do you favor or oppose government passing policies to make it easier for low-income individuals to get a mortgage?

Q2: Would you favor or oppose if this meant more people would default on their mortgages?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Nevertheless, opposition quickly rises and majorities of Democrats (56%), independents (67%), and Republicans (78%) would oppose government making it easier for low-income people to buy houses if it meant that more people would default on their mortgages.

Thus, Americans like the idea of helping the less affluent join in the benefits of homeownership. However, support quickly erodes if such policies result in lower lending standards and mortgages being approved for families who may not be able to afford them.

Consumer Attitudes About Credit

Do Americans Support Risk-Based Pricing?

Nearly three-fourths (74%) of Americans say they would be “unwilling” to pay more for their home mortgage, car loan, or student loan if it helped someone with a low credit score also get access to these loans. A quarter (25%) say they would be willing to pay higher rates on loans in order to help expand access. These results indicate considerable public support for risk-based pricing—a methodology in which lenders charge some people different interest rates on loans depending on their level of loan risk.

Support for risk-based pricing is not controversial; majorities across political and demographic groups are unwilling to pay higher rates on loans to expand access to those with low credit scores. However, some groups are more willing than others to pay more to help those with low credit scores access loans.

Democrats (33%) are twice as likely as Republicans (15%) to say they’d pay more for loans for this purpose. People under 35 (38%) are also more than three times as likely as those over 55 (12%) to say they would be willing to pay more for loans. African Americans (46%) are also more willing than Hispanic Americans (30%) and white Americans (20%) to pay more to help those with low credit scores access loans. Notably, willingness to pay more for loans does not vary much with income or education.

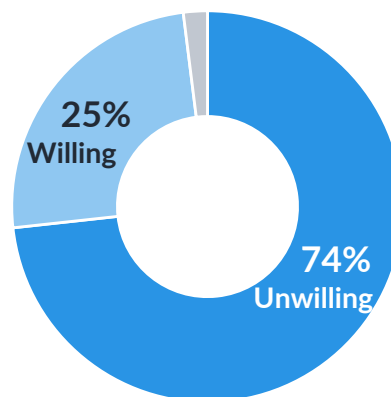
What Do Americans Think Causes a Low Credit Score?

One reason why some Americans may be unwilling to pay more for loans to help those with low credit scores access loans is that most believe individuals have control over their credit score.

A solid majority, 58%, believe that “irresponsibility” is a primary reason why some people have low credit scores. However, 41% believe that low credit scores are primarily due to circumstances beyond a person’s control.

Americans Favor Risk-Based Pricing

Would you be willing or unwilling to pay more for your home mortgage, car loan, or student loan, if it helped someone with a low credit score also get access to these loans?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
Note: Don't Know/Refused: 2%

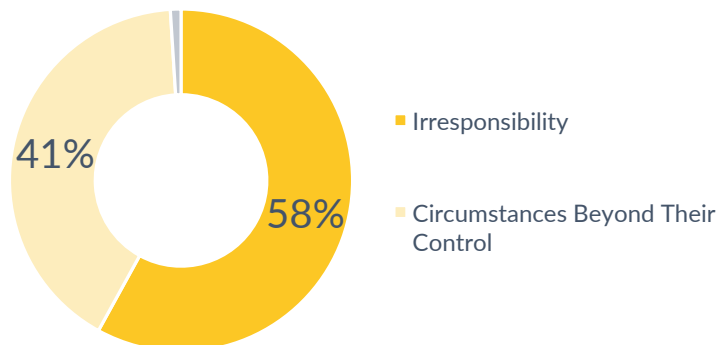
Partisans sharply disagree about what causes low credit scores. While a majority (57%) of Democrats believe low credit scores are primarily due to “circumstances beyond [one’s] control,” majorities of Republicans (74%) and independents (63%) believe low scores are primarily due to irresponsibility. Among ideological cohorts, 62% of progressives believe low scores are due to external forces while 66% of libertarians believe they are the result of irresponsible decisions.

People’s evaluations of their own financial well-being strongly predict whether they believe low credit scores are within or outside an individual’s control. A majority (54%) of those who report being in poor financial shape say circumstances beyond a person’s control cause a bad credit score. However, increasing majorities of those in fair (54%), good (66%), or excellent (73%) financial shape believe individual decisionmaking drives credit scores.

Men (62%) and Americans over 55 (65%) are also slightly more likely than women (53%) and those under 55 (53%) to think low credit scores are due to irresponsibility. There are also significant differences by race. While majorities of white Americans (64%) and Hispanic Americans (51%) believe low scores are due to irresponsibility, 67% of African Americans believe low scores are the result of circumstances beyond one’s control.

Most Believe Low Credit Scores Due to Irresponsibility Rather than Circumstances Beyond One's Control

Generally speaking, which do you think has more to do with why some people have low credit scores?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
Note: Don't Know/Refused: 1%

Partisan and Demographic Divisions Over Cause of Low Credit Score, Personal Financial Situation and Belief in Free Will Predict Attitudes

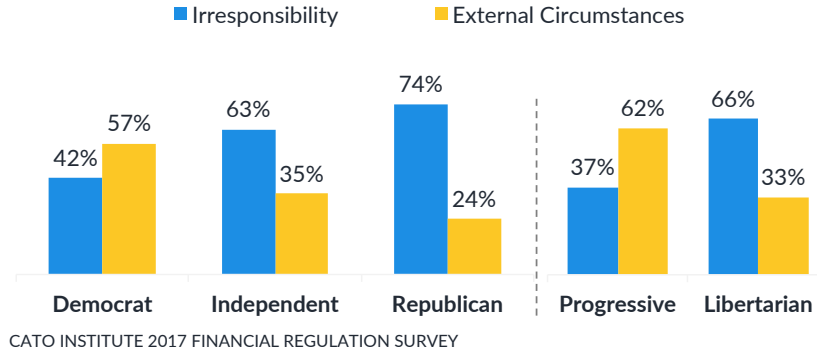
Which has more to do with why some people have low credit scores?

	Irresponsibility	Circumstances Beyond Ones Control	Diff
Democrat	42%	57%	-15
Independent	63%	35%	+28
Republican	74%	24%	+50
Progressive	37%	62%	-25
Libertarian	66%	33%	+33
Financial Situation			
Excellent Shape	73%	26%	+47
Good Shape	66%	34%	+32
Only Fair Shape	54%	46%	+8
Poor Shape	44%	54%	-10
Belief in Free Will Index			
High Belief in Free Will	79%	20%	+59
Mid-High Belief	71%	28%	+43
Mid-Low Belief	49%	50%	-1
Low Belief in Free Will	37%	62%	-25
White American	64%	35%	+29
African American	32%	67%	-35
Hispanic American	51%	46%	+5
18-54	53%	46%	+7
55+	65%	34%	+31
Male	62%	37%	+25
Female	53%	46%	+7

CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Democrats, Progressives Say Low Credit Scores Due to Circumstances Beyond One's Control; Republicans, Independents, Libertarians Say Irresponsibility Causes Low Scores

Generally speaking, which do you think has more to do with why some people have low credit scores?



As one might predict, beliefs about the causes of bad credit scores correlate with a belief in free will. Those who score high (79%) on the Belief in Free Will Index (BFWI) are 42 points more likely than those who score low (or are skeptical of free will) (37%) to believe irresponsible decisions drive poor credit scores. A majority (62%) of those who are skeptical of free will think low scores are due to external circumstances a person can't control.⁸

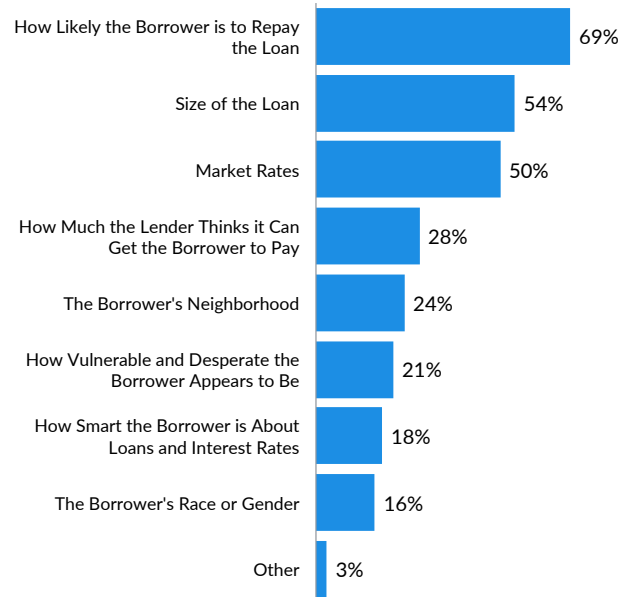
What Determines Interest Rates Lenders Charge?

When asked what determines the interest rates a lender charges a person, for instance on a home mortgage or auto loan, most think that market forces and indicators are key: how likely the person is to repay the loan (69%), the size of the loan (54%), and overall market rates (50%).

Some, however, also believe that exploitative and non-market forces play a role: how much the lender thinks it can get the person to pay (28%), the borrower's neighborhood (24%), how vulnerable and desperate the borrower appears to be (21%), how smart the borrower is about loans and interest rates (18%), the borrower's race or gender (16%), and other (3%).

What Determines the Interest Rate a Lender Charges?

Which of the following primarily determines what interest rate a lender charges a person? (Select all that apply)



⁸ The Belief in Free Will Index (BFWI) is a composite scale based on averaging answers to six questions developed by psychologists Delroy Paulhus and Jasmine Carey that measure people's belief in free will. See Appendix for question wording. Those who score low on BFWI tend to be skeptical of free will; those who score high on BFWI tend to strongly believe in free will.

(24%), how vulnerable the person appears to be (21%), how smart the borrower is about loans (18%), and the borrower's race or gender (16%).

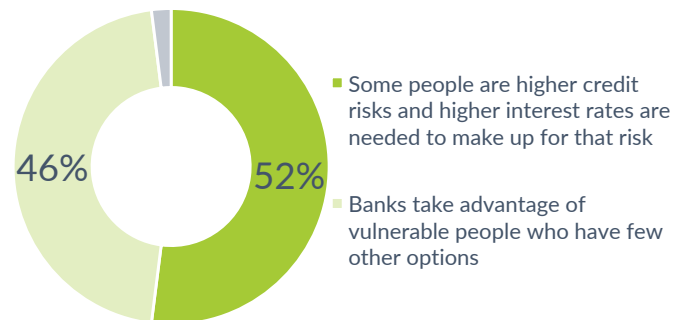
Although Democrats and Republicans agree that market forces contribute, Democrats are more likely to believe that exploitative forces also shape rates. For instance, Democrats are about twice as likely as Republicans to say that a borrower's vulnerability (28% vs. 14%), neighborhood (32% vs. 18%), or race or gender (28% vs. 7%) play a determinative role, and that lenders strong-arm their borrowers into paying unfairly high interest rates (32% vs. 18%).

Are Lenders Justified or Predatory in Charging Some People Higher Rates?

What primarily explains why lenders charge some people higher rates than others for loans and credit cards? A slim majority (52%) believe banks and financial institutions do this because a higher rate is needed to make up for some borrowers' higher credit risk. However, another 46% believe banks and financial institutions charge some people higher rates because they take advantage of the vulnerable who have few other options.

Americans Unsure if Banks Charging Some People Higher Interest Rates is Justified or Predatory

Which comes closer to your own view about why banks and financial institutions charge some people higher rates than others for loans and credit cards? Because...

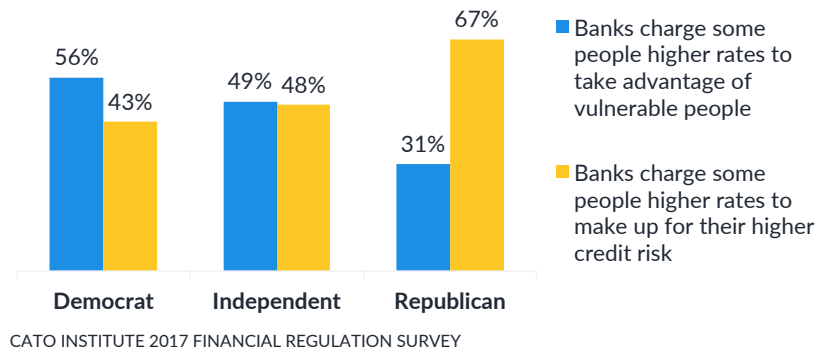


CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
Note: Don't Know/Refused: 2%

Partisan divisions lie behind these numbers. A majority (56%) of Democrats believe that lenders charge some people higher rates because they are predatory, taking advantage of the vulnerable. A majority (67%) of Republicans, on the other hand, believe charging some people higher rates is necessary to make up for some borrowers' greater credit risk. Independents fall in between, with 49% who believe charging people different rates is evidence of predatory lending while 48% think it is legitimately needed.

Democrats View Banks Charging Some People Higher Interest Rates as Predatory, Republicans View it as Necessary

Which comes closer to your own view about why banks and financial institutions charge some people higher rates than others for loans and credit cards?



People in a bad financial situation are more likely to perceive banks as predatory lenders. A strong majority (65%) of those in poor financial shape believe banks charge higher interest rates to some people to take advantage of their vulnerability. In contrast, nearly three-fourths (73%) of those in excellent financial shape believe different interest rates banks charge depend on the risk posed by the borrower.

White and Hispanic Americans are more likely than African Americans to believe that banks have legitimate reasons for charging some people higher rates. While 59% of African Americans believe banks charge higher rates to prey on the vulnerable, majorities of whites (55%) and Hispanics (52%) believe banks charge these rates to make up for credit risk.

Americans under 30 (51%) are also more likely than those over 65 (36%) to believe that banks charge some people higher rates to take advantage of them. Conversely, nearly two-thirds (63%) of seniors believe these rates are justified.

Do Americans Support Interest Rate Caps?

Eighty percent (80%) of Americans would favor limiting the maximum interest rate that banks and financial institutions can charge on credit cards and loans while 18% would oppose. A majority (55%) would favor such limits even if they "meant that low-income families would not be able to access a loan they need," while 42% would oppose.



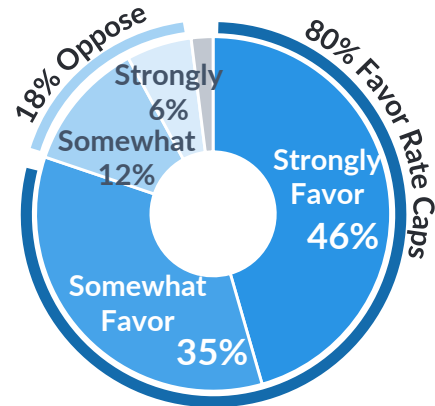
Do Not Believe Interest Rate Caps Would Reduce Access to Loans

One reason why Americans may support interest rate caps is that they are not entirely convinced that caps would reduce access to

loans: 47% do not believe limiting interest rates would make it harder to get loans while 51% think it would. Also, if it did not impact them personally, middle class and higher income people may not care if interest rate caps make it harder for low-income families to access loans.

Most Support Limiting Maximum Interest Rates Charged on Credit Cards and Loans

Do you favor or oppose limiting the maximum annual interest rate banks and financial institutions can charge on credit cards and loans?

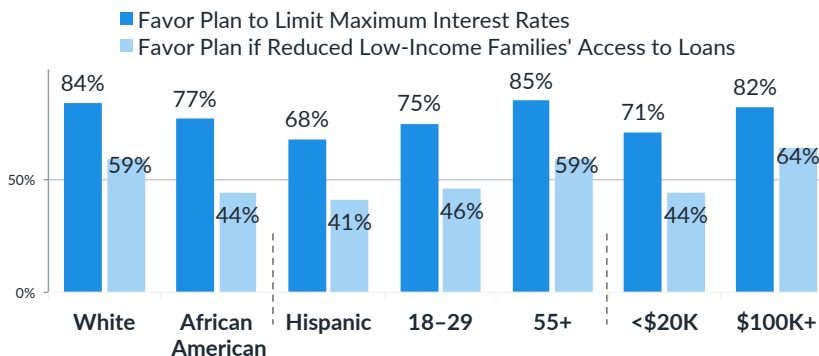


CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
Note: Don't Know/Refused: 2%

Lower income households, young people, African Americans and Hispanics turn against limiting interest rates if it reduces access to loans for needy families. For instance, less than half of those earning \$20,000 a year or less (44%), Americans under 30 (46%), African Americans (44%) and Hispanics (41%) would support a plan to cap interest rates that also reduced access to loans low-income families need.

Support For Capping Interest Rates Drops Among African Americans, Hispanics, Young People, Low Income Families If Reduces Access to Loans

Would you favor or oppose limiting the maximum annual interest rate companies can charge on credit cards and loans, if that meant low-income families would not be able to access a loan they need?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Consumer Financial Protection

A majority (55%) of Americans believe the federal government is doing “too little” when it comes to consumer financial protection. Perhaps this is unsurprising given that regulators failed to detect or prevent the Wells Fargo fake account opening scandal—an action already illegal under current law.⁹ Forty-two percent (42%) believe the government is doing enough (28%) or even too much (14%) to deal with consumer financial protection.

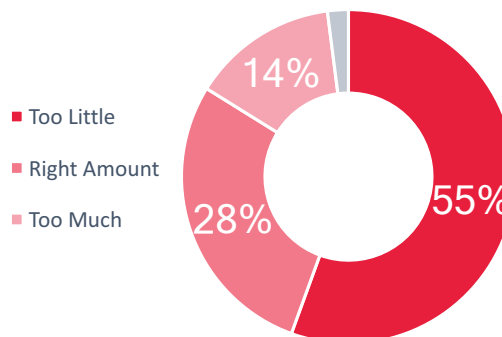
Demand for more consumer financial protection does not vary with education level but does by partisanship. Three-fourths (75%) of Democrats believe government is doing too little, whereas less than half of independents (48%) and just over a third of Republicans (36%) share this concern.

Attitudes about government financial protection vary with evaluations of ones' financial situation. Nearly two-thirds (64%) of those who say they are in “fair” or “poor shape” think government is not doing enough to protect people's finances. However, households who say they are in “good” (46%) or “excellent” (38%) financial shape are far less likely to believe government is not doing enough.

Belief in free will also predicts whether one believes government needs to be doing more to ensure the financial protection of consumers. Americans skeptical of free will (i.e. those who scored low on the Belief in Free Will Index) are nearly 30 points more likely than strong believers in free will to think people need more government financial protection (68% vs. 40%).¹⁰

Majority Says Government Not Doing Enough for Consumer Financial Protection

Would you say the federal government is doing too much, too little, or the right amount when it comes to consumer financial protection?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
Note: Don't Know/Refused: 2%

⁹ See Emily Glazer, “Wells Fargo to Pay \$185 Million Fine Over Account Openings,” *Wall Street Journal*, September 8, 2016, <https://www.wsj.com/articles/wells-fargo-to-pay-185-million-fine-over-account-openings-1473352548>.

¹⁰ The Belief in Free Will Index (BFWI) is a composite scale based on averaging answers to six questions developed by psychologists Delroy Paulhus and Jasmine Carey that measure people's belief in free will. See Appendix for question wording. Those who score low on BFWI tend to be skeptical of free will; those who score high on BFWI tend to strongly believe in free will.

Consumer Financial Protection Bureau

CFPB Polarizes Political Partisans

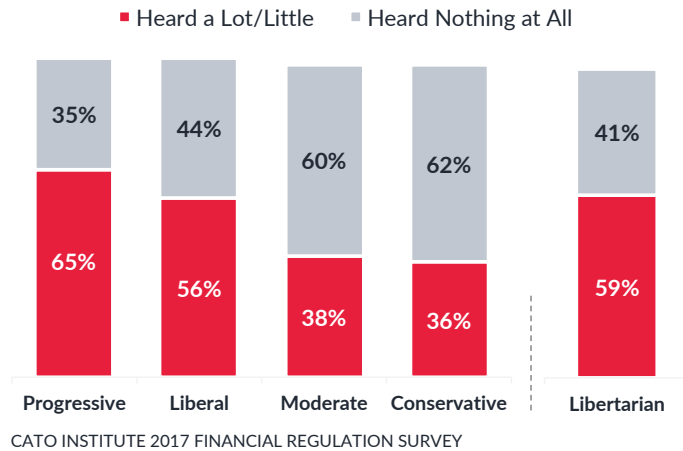
The Dodd-Frank Wall Street Reform and Consumer Protection Act authorized the creation of the Consumer Financial Protection Bureau (CFPB) in 2011. Yet six years later, few people know what it is. Only 8% of Americans say they have heard “a lot” about the CFPB, a third (33%) say they have heard “a little” and 57% have heard “nothing at all” about the federal agency.

Those on the left side of the political spectrum are more likely to know what the CFPB is and have a positive opinion of it. Conservatives are less likely to know about the CFPB, but most who know about it feel unfavorably toward it. Libertarians are unique in that they know as much about the CFPB as liberals but still dislike it.

Majorities of progressives (65%), liberals (56%), and libertarians (59%) have heard at least something about the CFPB while 4 in 10 have not. In contrast, 62% of conservatives have heard “nothing at all” about the CFPB while 36% have heard at least something about it.

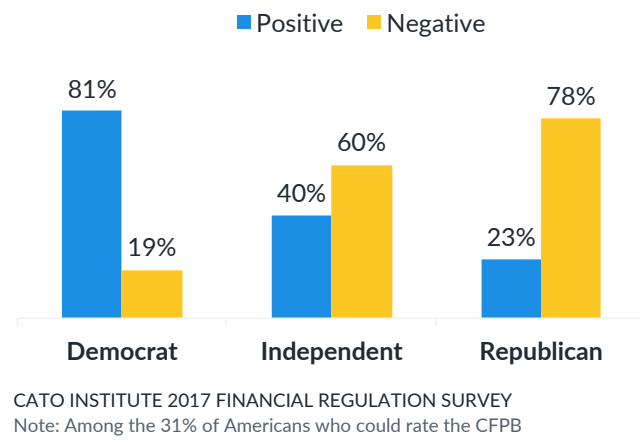
Progressives, Libertarians, Liberals Most Likely to Have Heard about the Consumer Financial Protection Bureau

How much, if anything, have you heard or read about the Consumer Financial Protection Bureau (CFPB), the new federal agency created in 2011? Have you heard ...



Democrats Highly Favorable of Consumer Financial Protection Bureau, Republicans and Independents Feel Unfavorable

[AMONG THOSE WITH AN OPINION] Would you say you have generally positive or negative feelings about the Consumer Financial Protection Bureau (CFPB)?



The CFPB is sharply polarizing among partisans who know enough about it to evaluate it.¹¹ Fully 81% of Democrats have a positive opinion of the CFPB. In stark contrast, majorities of Republicans (78%), and independents (60%) have a negative view of the CFPB. Among ideological cohorts who have an opinion, 84% of progressives feel favorably toward the CFPB while 71% of libertarians feel unfavorably toward the federal agency.



Key Insights: Those most familiar and positive about the CFPB tend to come from the political left. However, most of those who would be most likely to oppose the CFPB (independents and Republicans) do not even know it exists. Thus, calls to change the CFPB may meet resistance, but that resistance will come from one end of the political spectrum, rather than from the median voter.

Democrats and Republicans Support Changing CFPB Structure

Americans support changing the structure of the Consumer Financial Protection Bureau. Nearly two-thirds (63%) say the CFPB should be led by a bipartisan commission of Democrats and Republicans, rather than by a single director. A third (33%) think a single director should run the federal agency instead.

Support is post-partisan with strong majorities of Democrats (67%) and Republicans (64%) in support of a bipartisan commission leading the agency.

Notably, majorities of Americans support a bipartisan commission leading the CFPB regardless of whether one has a positive opinion (55%) or negative opinion (63%) of the agency.

Support for CFPB Independence

Support for CFPB independence is more controversial than changing its structure. Fifty-four percent (54%) of Americans say Congress should have limited oversight of the Consumer Financial Protection Bureau and should not set its budget, while 42% say Congress should closely oversee



Say **Bipartisan Commission** of Democrats and Republicans Should Lead Consumer Financial Protection Bureau



Say Congress Should Have Limited Oversight of CFPB and Not Set Its Budget

¹¹ Sixty-eight percent (68%) say they do not know enough to say whether they have positive or negative feelings about the Consumer Financial Protection Bureau. Results reported here are from among the 31% of Americans who could rate the CFPB.

7%

Have Great Deal of Confidence in Congress

and set the budget for the CFPB. Moreover, partisans disagree about the level of oversight needed for this federal agency.

Reluctance for more Congressional oversight is perhaps unsurprising given that only 7% of Americans have a lot of confidence in Congress to run things.

A majority (58%) of Democrats say Congress should have limited oversight of the CFPB and not set its budget. Republicans are more evenly divided with 50% who say Congress should closely oversee the CFPB and set its budget, while 48% think the agency should remain independent.

Partisan voters are more polarized: 53% of Trump voters say Congress should more closely oversee the CFPB while 66% of Clinton voters think it should have limited oversight.

These results may reflect the fact that Republicans have a majority in Congress, but few Americans of either party have much confidence in the legislative branch to run things.

Has the CFPB Achieved Its Mission?

From its inception, the Consumer Financial Protection Bureau has been tasked with making it easier for consumers to understand the terms and conditions of credit cards and other financial products. However, six years into the agency's tenure, few Americans (26%) believe the CFPB has achieved its mission to make financial products' terms and conditions clearer.

Seventy-one percent (71%) of Americans say that since 2011 credit card terms and conditions have *not* become easier to

Democrats Support CFPB Independence, Republicans Favor More Congressional Oversight

Congress should...	Closely Oversee & Set Budget	Have Limited Oversight & Not Set Budget
Democrat	38%	58%
Independent	40%	53%
Republican	50%	48%
Trump Voters	53%	45%
Clinton Voters	31%	66%
High School or Less	47%	47%
Some College	41%	57%
College Grad	37%	62%

Feelings Toward CFPB

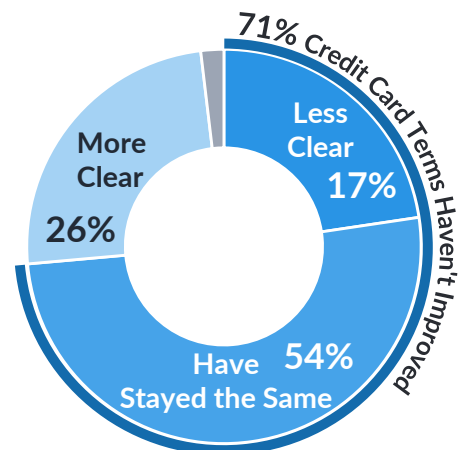
Positive	38%	61%
Negative	58%	42%

CATO INSTITUTE
2017 FINANCIAL REGULATION SURVEY

Most Say Credit Card Terms and Conditions Haven't Improved Since CFPB Created in 2011

In 2011 the Consumer Financial Protection Bureau was created and tasked with making it easier for consumers to understand the terms and conditions of credit cards and other financial products. Since 2011, would you say that credit cards' terms and conditions have become more clear, less clear, or have they stayed about the same?

Since 2011, Credit Card Terms Have Become...



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
Note: Don't Know/Refused: 2%

understand, including 54% who say they have stayed the same and 17% who think they have become less clear.

Presumably, actions to improve the clarity of credit card terms and conditions were intended to help vulnerable Americans, such as those with less education and income. However, Americans with the highest levels of income and education are the most likely to think credit cards have become easier to understand.

For instance, those with post-graduate degrees (40%) are nearly twice as likely as those with high school diplomas or less (23%) to think credit card terms have become clearer. In fact, high school grads (20%) are about twice as likely as those with the most education (11%) to believe that credit cards have become *harder* to understand since 2011.

There is a similar pattern by income level. About a quarter (27%) of those earning less than \$20,000 a year believe credit cards have become clearer, compared to 37% among those earning more than \$100,000 a year.

Majorities of Democrats (64%), independents (78%), and Republicans (77%) do not believe credit card terms and conditions have improved since the CFPB's creation in 2011. Nevertheless, Democrats (34%) are more likely than independents (18%) and Republicans (21%) to perceive an improvement in financial product disclosures. This suggests that partisanship to some extent colors perceptions of CFPB performance.



Say Credit Card Terms Haven't Become Clearer Since CFPB Created in 2011

Do Americans View the CFPB as an Educational Resource?

Another objective of the Consumer Financial Protection Bureau is to help educate the public on financial matters so individuals can make better-informed decisions. However, only 4% report using the CFPB or other government agencies to get financial advice or information. Instead, most turn to private sources of information such as family, friends, the Internet, books, or hired advisors like financial planners or accountants.



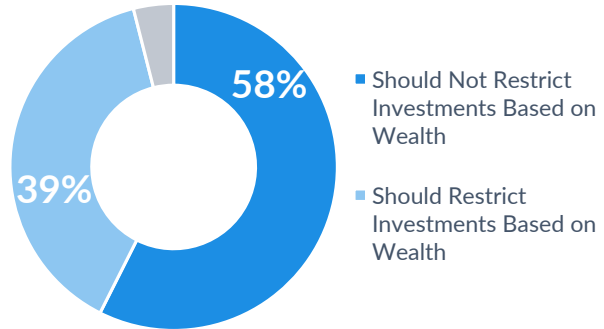
Have Used the CFPB, or Other Govt Agency, for Financial Information or Advice

Accredited Investor Standard

Due to current regulations, some investments are considered too risky and are thus effectively closed to most investors. These types of investments are only open to those who have at least one million dollars in assets or earn at least \$200,000 a year. However, 58% of Americans think the law should not restrict what people are allowed to invest in based on how wealthy they are. On the other hand, more than a third (39%) think the law should restrict access to certain investments considered too risky.

Most Oppose Accredited Investor Standard, Say Law Should Not Prevent Non-Wealthy People from Investing in Investments Considered Risky

Due to current law, some investments are considered too risky for most investors and are only open to those who have at least one million dollars in assets or earn at least \$200,000 a year. Do you think that the law should or should not restrict what people are allowed to invest in based on how wealthy they are?



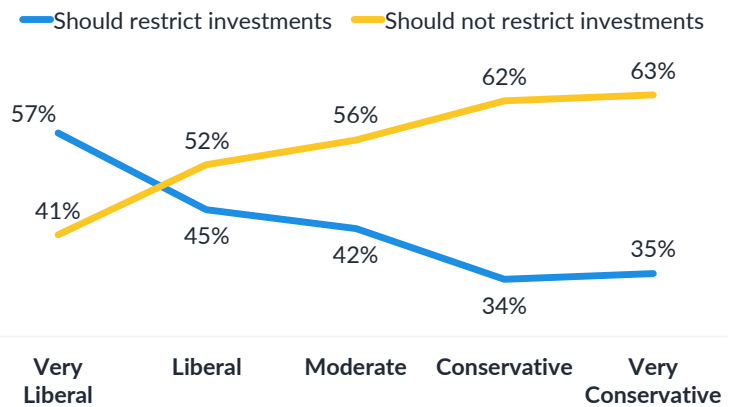
CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
 Note: Don't Know/Refused: 4%

Notably, a majority (57%) of strong liberals say the law should restrict risky investment opportunities only to the wealthy. But majorities disagree among moderates (56%), conservatives (63%), and libertarians (64%), who think the law should not restrict what people are allowed to invest in based on their wealth, even if those investments are risky.

Low-income people are no more likely than high-income people to think the law should restrict their investment options. Roughly the same share of Americans (6 in 10) earning less than \$20,000 a year and those earning more than \$200,000 a year, and thus eligible for such risky investments, agree such opportunities should *not* be restricted based on wealth.

Strong Liberals Support Preventing Non-Wealthy People from Accessing Investment Opportunities Deemed Risky

Due to current law, some investments are considered too risky for most investors and are only open to those who have at least one million dollars in assets or earn at least \$200,000 a year. Do you think that the law should or should not restrict what people are allowed to invest in based on how wealthy they are?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

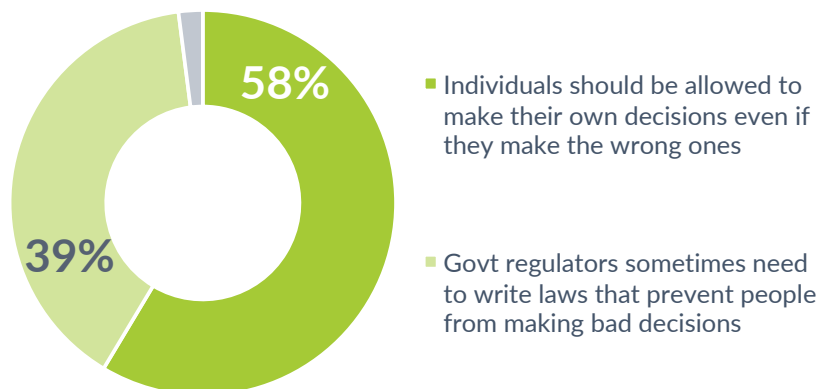
Responsibility for Consumer Financial Health

Who should be primarily responsible for consumer financial health? Americans have different responsibilities in mind. When it comes to protecting consumers from fraud, they primarily hold government responsible for protecting consumers: 65% say this should be government regulators' top priority.

However, when it comes to promoting prudent financial decisions, Americans tend to hold individuals primarily responsible rather than policymakers. A majority (58%) say individuals "should be allowed to make their own decisions even if they make the wrong ones." Conversely, 39% say that sometimes government regulators "need to write laws that prevent people from making bad decisions."

Most Say Govt Should Allow Individuals to Make Their Own Decisions, Even if They Make the Wrong Ones

Which comes closer to your own views...



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Note: Don't Know/Refused: 2%

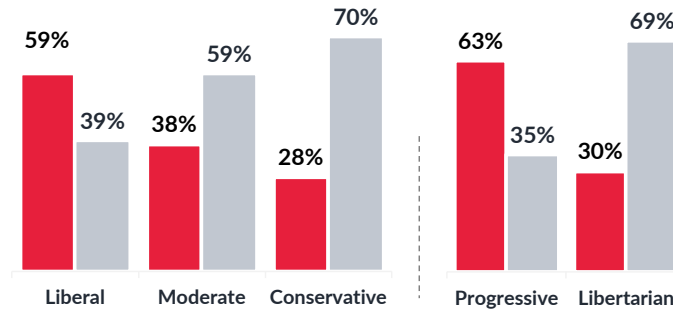
This question of individual or policymaker responsibility for promoting financial health is politically polarizing. A majority (57%) of Democrats say that regulators sometimes do need to write laws that prevent people from making imprudent decisions. Independents (69%) and Republicans (73%) disagree and say individuals should make their own choices even if they are unwise.

The differences are clearly pronounced among ideological cohorts. Nearly two-thirds (63%) of progressives believe government regulators sometimes need to prevent people from making bad decisions. Conversely, 69% of libertarians think individuals should be allowed to make their own choices even if they are self-destructive.

Liberals More Likely Than Conservatives to Say Govt Regulators Need to Prevent People from Making Bad Decisions

Which comes closer to your own views...

- Regulators sometimes need to write laws to prevent people from making bad decisions
- Individuals should be allowed to make their own decisions even if they make wrong ones



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

There are slight differences across income and educational groups, but in a direction opposite to what one might expect. Those with college degrees (47%) are more likely than those with high school diplomas or less (37%) to think government regulators should prevent unwise decisionmaking. Similarly, those earning over \$200,000 annually (49%) are more likely than those earning less than \$50,000 annually (39%) to agree.

There is a slight city/rural divide with Americans living in rural areas (65%) being 11 points more likely than those living in cities (54%) to think it is better to allow individuals to make their own choices.

In sum, well-educated, higher income people living in cities are more likely to favor government intervention to protect individuals from their own imprudent choices.

Home-Buying and Investing Decisions

We find that Americans tend to emphasize individual agency over government regulators' responsibility when it comes to buying houses and investing.

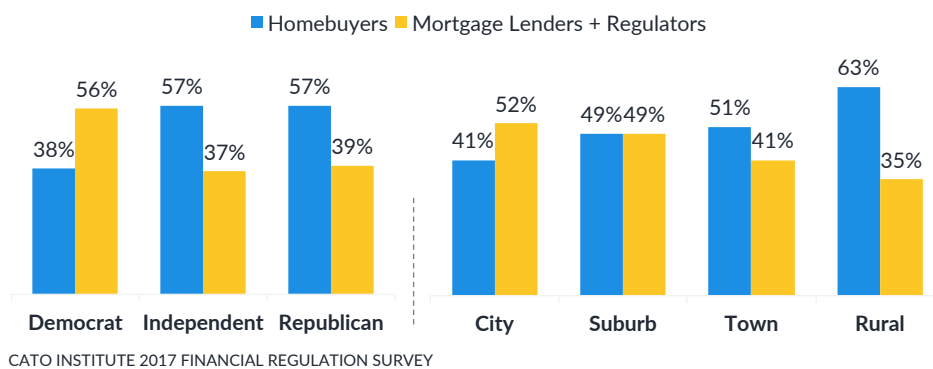
Home-Buying About half (49%) of Americans believe homebuyers should be primarily responsible for not purchasing a home more expensive than they can afford. Another 47% hold an external source responsible for ensuring homebuyers take on an affordable mortgage—including the mortgage lender approving the loan (37%) or government regulators (10%).

Democrats tend to hold external parties responsible (56%), including mortgage lenders (42%) and regulators (14%), for ensuring individuals do not buy too much house. In contrast, a majority (57%) of independents and Republicans say homebuyers should be primarily responsible for this.

There is also a city/rural divide. A majority (52%) of urban residents believe lenders and regulators should ensure homebuyers do not buy too much house. In contrast, a majority (63%) of those living in rural areas think homebuyers should be primarily responsible.

City Residents, Democrats Most Likely to Believe Mortgage Lenders and Regulators Should Ensure Individuals Don't Buy Too Much House; Republicans, Independents, and Rural Residents Place Responsibility on Individuals

Who should be primarily responsible for ensuring homebuyers do not purchase a home more expensive than they can afford?



Investing As mentioned in an earlier section, 58% believe the law should allow individuals to make investments considered risky regardless of their wealth. Another 39% believe the law should restrict investments considered highly risky to wealthy Americans.¹² (Please see Accredited Investor Standard section.)

Similar to the attitudes on homebuyer responsibility, Democrats (46%) are more likely than Republicans (33%) and independents (33%) to say the government should restrict investments considered too risky.

¹² Due to current law, some investments considered to be too risky for common investors are generally only available to individuals who have at least one million dollars in assets or earn at least \$200,000 a year.

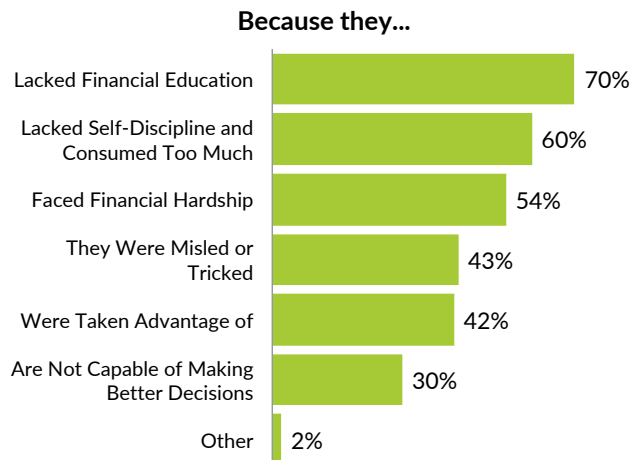
Why Do Americans Hold Individuals Primarily Responsible for Financial Health?

Overall, Americans tend to hold individuals rather than policymakers responsible for determining what financial choices are available to consumers. One reason for this may be that Americans tend to believe that individuals are capable of improving their financial situations.

When asked what are the primary reasons that some consumers make bad financial decisions, the top three reasons selected are that consumers lacked financial education (70%), lacked self-discipline and consumed too much (60%), and faced financial hardship (54%).

Most Say Unwise Financial Decisions Due to Lack of Education and Self-Discipline, Hardship

Which of the following do you believe are primary reasons why some consumers make bad financial decisions:
(Select all that apply)



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Less than half thought unwise financial decisionmaking was due to a person being misled or tricked (43%), being taken advantage of (42%), or being incapable of making better choices (30%) (e.g. “cognitive limitations”).¹³

Both Democrats (72%) and Republicans (72%) agree that a lack of financial education is a primary driver of bad financial decisions. However, they sharply diverge over other explanations.

Republicans (70%) are nearly 20 points more likely than Democrats (51%) to say that a lack of self-discipline and overconsumption are primary reasons for unwise decisionmaking.

However, Democrats are roughly 20 points more likely than Republicans to say that poor financial choices are due to financial hardship (66% vs. 45%), being tricked (52% vs. 32%), or being taken advantage of (52% vs. 30%).

Smaller shares of either Democrats (29%) or Republicans (33%) think that being unintelligent is a primary reason for bad financial choices.

¹³ See John Y. Campbell et al., “Consumer Financial Protection,” *Journal of Economic Perspectives* 25, no. 1 (2011): 91-114.

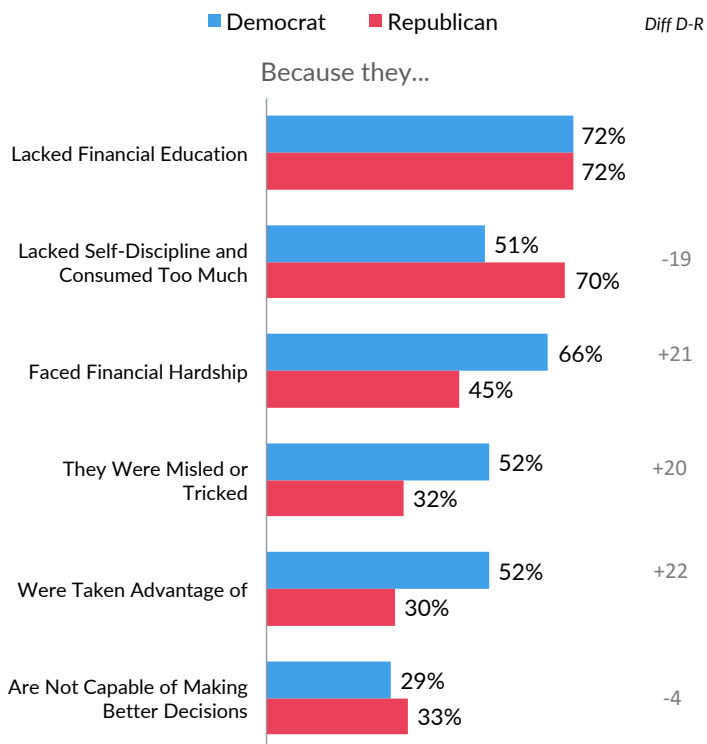
Given how differently Democrats and Republicans see the causes of financial trouble some consumers face, it becomes clearer why partisans disagree about what government should do about consumer financial protection.

Republicans tend to emphasize causes for unwise financial decisions that individuals can more directly change—such as a lack of self-discipline. From this perspective, government should allow people to learn from trial and error while still protecting them against fraud.

Democrats, on the other hand, tend to emphasize causes that are external to the individual and thus less easily improved by individual decision making—such as being exploited or tricked. Consequently, they are more likely to favor government regulators limiting the choices people have available to them to reduce the likelihood for error.

Bad Financial Decisions Due to Lack of Self-Discipline Say Republicans, Democrats Say Financial Hardship or Being Tricked

Which of the following do you believe are primary reasons why some consumers make bad financial decisions: (Select all that apply)



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

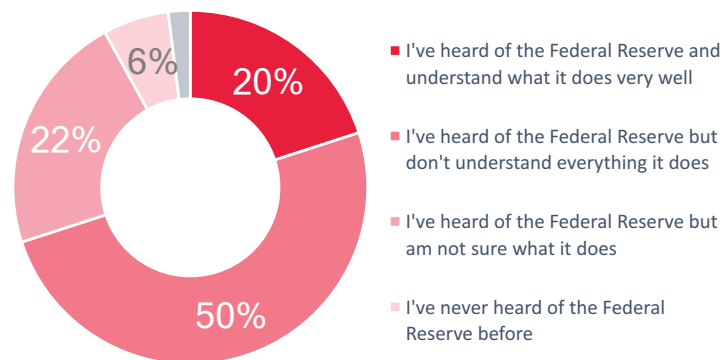
The Federal Reserve

Knowledge of the Federal Reserve

The Federal Reserve plays a major role in today's economy, yet only 20% of Americans say they have heard of the Federal Reserve and understand what it does very well. About half (50%) say they have heard of the Fed but only understand some of what it does and 22% say they have heard of the Fed but do not know what it does. Six percent (6%) have never heard of the Fed before.

Most Americans Have Heard of the Federal Reserve But Aren't Confident They Know What it Does

How familiar are you with the Federal Reserve?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Note: Don't Know: 2%

Federal Reserve Independence

Most Americans (57%) remember what they learned in high school—that the Federal Reserve is intended to operate independently from Congress and the President. Thirty-eight percent (38%) believe the Fed is in fact influenced by Congress and the President.

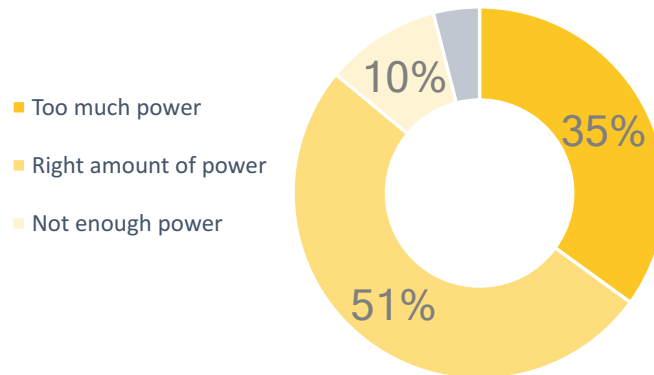
Perception of Fed independence is related to education. Those with post-graduate (70%) degrees are nearly 20 points more likely than those without college degrees (53%) to believe the Fed is independent.

Power of the Federal Reserve

Most Americans believe the Federal Reserve has the right amount of power (51%), but a sizable minority (35%) worry the Fed has been granted too much power. Only 10% think the Fed does not have enough authority to do its job.

Most Believe the Fed Has Right Amount of Power

Do you think the Federal Reserve today has too much power, has about the right amount of power, or not enough power?



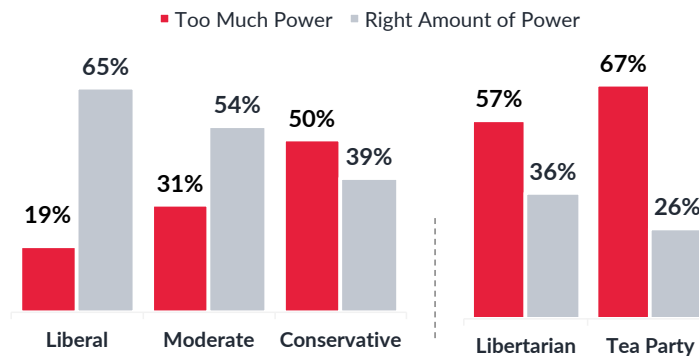
CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Note: Don't Know/Refused: 4%

Perceptions of Fed power have a clear ideological bent. A plurality of conservatives (50%) believe the Fed has too much power—a share nearly three times that of liberals (19%). Libertarians are the most likely to worry the Fed has been granted too much authority (57%). Skepticism of the Fed rises even higher among tea party supporters with 67% who believe the Fed has too much power—46 points higher than those who oppose the tea party (21%).

Tea Party Supporters, Libertarians, Conservatives Most Likely to Think the Fed Has Too Much Power

Do you think the Federal Reserve today has...



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

Does the Federal Reserve Stabilize the Economy?

One of the first things we learn in secondary school about the Federal Reserve is that it is intended to stabilize the economy and mitigate the boom and bust cycle. About a third of Americans accept this view (38%) and believe the Fed helped shorten the 2008 financial crisis (30%).

A quarter (24%) of Americans think the Fed fails to stabilize the economy and slightly more (33%) believe the Federal Reserve helped cause the crisis. Another third of Americans have not heard enough about the Fed to say whether it stabilizes the economy (36%) or think it impacted the financial crisis (33%).

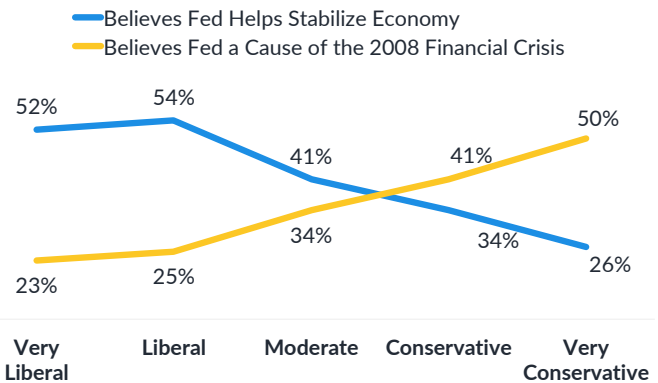


Believe the Federal Reserve Helps Stabilize the Economy

Confidence in the Fed polarizes partisan voters. A majority (57%) of Hillary Clinton voters believe that the Fed helps stabilize the economy and a plurality (46%) believe it shortened the financial crisis. In contrast, only 34% of Trump voters agree the Fed stabilizes the economy and even fewer—16%—think it cut short the crisis. Instead a plurality (45%) believe the Fed actually instigated the financial crisis.

Liberals Most Likely to Believe the Fed Stabilizes Economy; Conservatives Least Confident in the Federal Reserve, Believe it Contributed to 2008 Financial Crisis

Q1: Do you believe the Federal Reserve helps stabilize the economy, or not?
Q2: Do you believe the Federal Reserve did more to cause the 2008 financial crisis, cut it short, or did it have no impact?



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY

In fact, the more conservative people are the less likely they are to believe the Federal Reserve effectively stabilizes the economy and the more likely they are to believe it caused the financial crisis.

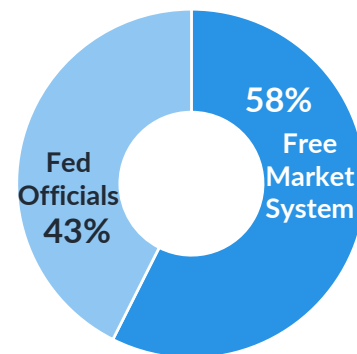
Should the Fed or Markets Steer Interest Rates in the Economy?

Unsurprisingly, a plurality (44%) of Americans have not thought much about whether Federal Reserve officials or the free-market system should primarily determine interest rates. However, if we confine the analysis to those who have an opinion, 58% believe that free-market forces should determine interest rates, compared with 43% who believe Fed officials should do so.

Should Fed Officials or the Free-Market System Determine Interest Rates in the Economy?

How should interest rates in the economy be primarily determined, by Federal Reserve officials or by the free-market system?

Among Americans Who Have An Opinion...



CATO INSTITUTE 2017 FINANCIAL REGULATION SURVEY
Note: Among 56% of Americans with an opinion

Among those with an opinion, clear partisan differences emerge. More than two-thirds (68%) of Democrats want Federal Reserve officials to

determine interest rates while three-fourths (75%) of Republicans want the free-market system to do so.

Education predicts attitudes as well. Americans with post-graduate degrees are most likely to favor Federal Reserve officials steering rates (57%), followed by college grads (48%), then those with high school diplomas or less (39%).

What Determines Support for the Fed or Markets Steering Interest Rates?

Four beliefs predict support for markets over Fed officials steering interest rates: perception of the Federal Reserve's (1) independence, (2) power, (3) efficacy stabilizing the economy, and (4) its role in the 2008 financial crisis.

First, those who believe the Fed is not politically independent from Congress and the President are more likely to favor market-based rates. More than two-thirds (69%) of those who think the Fed is unduly influenced by political pressures would prefer that markets determine interest rates. In contrast, those who say the Fed is independent of Congress and the President are evenly divided on whether markets or Fed officials are better suited to this task.

Second, those who believe the Fed has too much power are more likely to support allowing the market (83%) rather than Fed officials (16%) to determine rates. Conversely, among those who think the Fed has an appropriate amount of power, 63% are comfortable having Fed officials steer rates.

Third, those who think the Fed reduces volatility in the economy favor officials determining rates by a 2 to 1 margin (66% vs. 33%). Those who do not believe the Fed stabilizes the economy want market forces to steer interest rates (85% vs. 15%).

Fourth, the perception that the Fed caused the 2008 financial crisis not surprisingly predicts support for the free-market system rather than officials determining interest rates. A majority (75%) of those who believe the Fed helped cause the crisis favor markets determining rates. Conversely, a majority (63%) of those who believe the Fed cut short the crisis favor Fed officials determining interest rates in the economy.

Appendix: Belief Free Will Index

In order to gauge Americans' beliefs about Free Will, the author of this survey report created the Belief in Free Will Index (BFWI). The scale is constructed by averaging answers to six questions taken from Delroy Paulhus and Jasmine Carey's academic paper, "The FAD-Plus: Measuring Lay Beliefs Regarding Free Will and Related Constructs."¹⁴

Belief in Free Will Index (BFWI)

To what extent do you agree or disagree with the following statements?

1. People must take full responsibility for any bad choices they make.
2. Bad behavior is caused by bad life circumstances. (Reverse scored)
3. People can overcome any obstacles if they truly want to.
4. People do not choose to be in the situations they end up—it just happens. (Reverse scored)
5. We should avoid punishing people because many of them can't help doing what they do. (Reverse scored)
6. Strength of mind can always overcome the body's desires.

The Cronbach's alpha for the six items is .64, which indicates these questions are suitable to combine into a composite measure of a Belief in Free Will. Respondents were asked how much they agree or disagree with these six statements using a scale of 1 (Strongly Disagree) to 5 (Strongly Agree). Three (3) indicated they neither agreed nor disagreed with the statement. Respondents' answers to these six questions were averaged together such that lower scores indicate a skeptical belief in free will and higher scores indicate a greater belief in free will.

The Belief in Free Will Index (BFWI) was then divided into quartiles, according to the Interquartile Range, such that roughly the first 25% of respondents scoring the lowest were assigned to Group 1 (Low BFWI), the respondents scoring 26–50% along the scale were assigned to Group 2 (Low-Med BFWI), the respondents scoring 51–75% were assigned to Group 3 (Med-High BFWI), and the respondents scoring 76–100% were assigned to Group 4 (High BFWI). Respondents in Group 4 are identified in this report as scoring "High" on BFWI and respondents from Group 1 are identified as scoring "Low" on BFWI.

¹⁴ Delroy L. Paulhus and Jasmine M. Carey, "The FAD-Plus: Measuring Lay Beliefs Regarding Free Will and Related Constructs," *Journal of Personality Assessment* 93, no. 1 (2011): 96-104.

Survey Methodology

The Cato Institute 2017 Financial Regulation Survey was conducted by the Cato Institute in collaboration with YouGov. YouGov collected responses May 24–31, 2017, from 2,000 Americans 18 years of age and older. The margin of error for the survey is +/- 2.17 percentage points at the 95% level of confidence. This does not include other sources of non-sampling error, such as selection bias in panel participation or response to a particular survey.

YouGov conducted the surveys online with its proprietary Web-enabled survey software, using a method called Active Sampling. Restrictions are put in place to ensure that only the people selected and contacted by YouGov are allowed to participate.

The respondents were matched to a sampling frame on gender, age, race, education, ideology, and political interest. The frame was constructed by stratified sampling from the full 2010 American Community Survey (ACS) sample with selection within strata by weighted sampling with replacements (using the person weights on the public use file). Data on voter registration status and turnout were matched to this frame using the November 2010 Current Population Survey. Data on interest in politics and party identification were then matched to this frame from the 2007 Pew Religious Life Survey. The matched cases were weighted to the sampling frame using propensity scores. The matched cases and the frame were combined and a logistic regression was estimated for inclusion in the frame. The propensity score function included age, gender, race/ethnicity (where appropriate), years of education, and ideology. The propensity scores were grouped into deciles of the estimated propensity score in the frame and post-stratified according to these deciles.