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Poll: Public Distrusts Wall Street Regulators as Much as Wall Street, Say Regulators Are Ineffective, Biased, and Put Own Ambitions Before Public Interest

Americans Say Bipartisan Commission Should Run CFPB, Don't Think Dodd-Frank Will Reduce Chance of Future Financial Crises, Say CEOs Are Overpaid but Government Shouldn't Regulate Salaries, Less Than Half Could Pay for $500 Unexpected Expense with Savings, Most Support Helping Low-Income Families Get Mortgages Except if it Causes More Mortgage Defaults

Washington, D.C. – A new Cato Institute national survey of 2,000 U.S. adults finds that Americans distrust government financial regulators as much as they distrust Wall Street. Nearly half (48%) have "hardly any confidence" in either. Nearly three-fourths (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 the well-being of Americans, and 80% worry regulators allow their political biases to impact their judgment. While six in ten believe that regulations in the past have produced positive benefits (59%) and can make businesses more responsive (56%), nearly two-thirds (62%) worry that regulations too often cause more harm than good.

Americans don't believe 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 from committing fraud (65%) and ensuring banks fulfil their obligations to customers (56%).

A plurality (41%) of Americans think the financial industry needs more oversight. However, only 18% think the problem is that there are "too few" rules on Wall Street. Instead, 63% say the government fails to "properly enforce existing rules" (40%) or enacts the "wrong kinds" of regulations on big banks (23%).

"The data show that Americans are wary of Wall Street, but they don't have much confidence in the regulators overseeing Wall Street either," said Cato's Director of Polling Dr. Emily Ekins. "When Americans say they want 'more' regulation of Wall Street, they don't necessarily want more mandates or to give regulators more power—they want regulators to properly enforce the right kinds of rules."

Americans Worry Wall Street is Corrupt, But Still Think It's Essential

Nearly a decade after the 2008 financial crisis, Americans remain wary of Wall Street. More than three-fourths believe banks would harm consumers if they thought they could make a lot of money doing so and get away with it (77%). Nearly two-thirds (64%) think Wall Street bankers get paid "huge amounts of money" for "essentially tricking people." Nearly half (49%) of Americans worry that corruption in the industry is "widespread" rather than limited to a few institutions.

At the same time, 64% believe Wall Street still serves an "essential" function in our economy because it provides the money that businesses need to create jobs and develop new products. Americans also believe Wall Street banks and financial institutions are important for channeling the funding needed to develop life-saving technologies in medicine (59%) and safety equipment in cars (53%).

While the public has 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.

Americans Want Bipartisan Commission to Run CFPB, Support CFPB Independence

The poll finds that 63% of Americans prefer the Consumer Financial Protection Bureau (CFPB) be run by a bipartisan commission of Democrats and Republicans—rather than by a single director. A majority (54%) also think that Congress should not set the CFPB budget and only have limited oversight of the agency. This is perhaps unsurprising given that only 7% have a "great deal of confidence" in the people running Congress.

Majorities of Republicans (64%) and Democrats (67%) agree a bipartisan commission should lead the CFPB. However, they disagree about oversight. Although a majority (58%) of Democrats think the CFPB should have only limited Congressional oversight, most (50%) Republicans think Congress should closely oversee the agency.

Americans are skeptical the CFPB has achieved its mission to make the terms and conditions of credit cards and financial products easier to understand. Instead, 71% say credit cards and other financial products have not become easier to understand since the CFPB's creation in 2011, while 26% believe they have.

Public Skeptical Dodd-Frank Will Prevent Future Financial Crises

Will Dodd-Frank 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 to happen in the future. A little more than a quarter (26%) believe such regulations will reduce the likelihood of future financial crises.

Americans Oppose Too Big to Fail

Americans reject the idea that some banks are so important to the U.S. economy that they should be eligible for bailouts. Instead, two-thirds (65%) say that "any bank and financial institution" should be allowed to fail if it can't meet its obligations. A third, however, believe that some financial institutions are too integral to the U.S. financial system to be allowed to fail.

Opposition to the "too big to fail" model is post-partisan, with majorities of Democrats (57%) and Republicans (72%) opposing its use.

Americans as Likely to Say CEOs, NFL 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 NFL players (72%) and NBA players (74%) 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%). Even so, there is more support for regulating CEO pay (43%) than NBA salaries (28%).

Compared to CEOs (73%) and professional athletes, far fewer believe that major tech company entrepreneurs are overpaid (51%).

Democrats support (56%) government regulating CEO salaries but oppose regulating the salaries of NBA players (66%) or famous actors (69%). About seven in ten Republicans oppose government regulating the salaries of all three professions, even though they are more likely than Democrats to believe professional athletes and famous actors are overpaid.

Most Support Risk-Based Pricing for Loans, Say Low Credit Scores 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. One reason why Americans may be unwilling is that a majority (58%) believe low credit scores are primarily due to irresponsible decisions, rather than circumstances beyond a person's control (41%).

The poll delved further to understand what Americans think causes bad financial decisions, revealing stark partisan divides. While both agree a lack of financial education is key (72%), Republicans and Democrats disagree about the extent to which personal responsibility or circumstances beyond one's control play a role.

Republicans are nearly 20 points more likely than Democrats to say a lack of self-discipline is a major reason for poor financial choices (70% vs 51%). But Democrats are about 20 points more likely than Republicans to say people make bad financial decisions because they faced hardship (66% vs 45%) or were tricked (52% vs 32%).

Less than Half of Americans Could Pay a $500 Unexpected Expense with Savings

The survey found that less than half (43%) of Americans say they would pay for an unexpected $500 expense using money from checking or savings. 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%).

Most Support Helping Low Income Families Own Homes Unless It Spikes 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, support quickly erodes and a majority (66%) would oppose such policies if they resulted in more mortgage defaults and home foreclosures.

Most Oppose Accredited Investor Standard, Say Law Shouldn't Prevent Non-Wealthy People from Risky Investments

Some investments are only open to Americans who have a least one million dollars in assets or earn $200,000 a year because they are considered too risky for the common investor. However, 58% of Americans say the law should not restrict what people are allowed to invest in based on their wealth. On the other hand, more than a third (39%) think the law should restrict access to certain investments considered too risky.

The topline questionnaire, full methodology, and report of the survey findings can be found here.

Methodology

The Cato Institute 2017 Financial Regulation Survey was designed and conducted by the Cato Institute in collaboration with YouGov. YouGov collected responses online May 24-31, 2017 from a national sample of 2,000 Americans 18 years of age and older. Restrictions are put in place to ensure that only the people selected and contacted by YouGov are allowed to participate. The margin of error for the survey is +/- 2.17 percentage points at the 95% level of confidence.

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If you would like to speak to Dr. Ekins on the poll's results or a financial regulations expert at the Center for Monetary and Financial Alternatives, please contact pr@cato.org or 202-789-5200.

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