

## Double whammy

The marketplace shows no mercy. It can't—;it doesn't work that way. That fact is often lost on policymakers as they deliberate laws, rules, regs, advisories, and sundry other means to make people and organizations do what they think ought to be done. That attitude has become critical for two reasons: 1. government involvement in business is at a modern high and rising, and 2. the speed of change in business has rarely been greater.

“You cannot have a thriving and competitive national economy without a thriving and competitive banking system”

Banking sits at the epicenter of this conundrum and suffers from it because government overreaction to the financial crisis is hindering banks' ability to respond to marketplace changes.

What can be done? Two things.

The first is to continue to push back forcefully—;more forcefully—;against the regulatory onslaught—;especially the unnecessary or poorly thought-out new rules stemming from the Dodd-Frank Act. The tough loss in the Senate over the Durbin Amendment should be a rallying point for doing whatever it takes to delay or roll back bad public policies. (See related story in Bank Notes, p. 10.)

The second point is equally important, but can easily be forgotten in the prolonged wrestling match with Washington. It is the need to stay on top of the business changes mentioned above. The transformation occurring in how individuals and businesses communicate and transact using mobile/online technology, for example, may have greater risks for banks—and certainly greater potential—in the long term than even the painful loss of debit card interchange and overdraft income. Nothing exists in isolation, however. The loss of that income restricts banks' ability to invest in the people and technology to stay abreast of the mobile trend. A double whammy!

Furthermore, having to deal with an endless stream of new regulations on top of existing ones is a huge and costly distraction. It saps resources in time, money, and brainpower that could be applied to innovation.

Even Federal Reserve Board Chairman Ben Bernanke acknowledged recently that no one is really assessing the full impact of all the new rules and regulations. With all due respect, someone should do that—;before it's too late!

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The cover story on chip card advances (p. 24) offers a good example of how bad public policy can stifle innovation. Just as U.S. banks and merchants are beginning to give serious consideration to implementing a new card standard, the Durbin Amendment may throw a wrench into the development of what could be a better mousetrap.

One thing can be stated with certainty: Market forces do not wait for or care about any act of Congress or any regulation. New laws or rulings may briefly delay or disrupt the flow of those forces, but that flow always finds some new channel, leaving behind in the bayous any players who either weren't paying attention, or, worse, who have been disadvantaged by their own government. •

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