House Banking Scandal

By Bill Hobby

The current furor in the House of Representatives over which member of Congress did or did not bounce checks is more laughable than pathetic.

The real issue is not who bounced how many checks. The real issue is a lot more important than an unpaid restaurant bill. The real issue is "Should Congress have to obey the same laws it passes for the rest of us?"

If Congress were to apply to itself the standards of banking conduct it so sanctimoniously imposed on the rest of the nation in 1989, less than three years ago, every current member of the House could be fined $1,000,000 a day. So could any former member who left the House after 1989.
That year Congress passed the Financial Institutions Reform, Recovery, and Enforcement Act. In a fit of self-righteousness, Congress said in that Act that an officer or director of any federally insured financial institution could be fined up to $1,000,000 a day under certain circumstances.
You might think such an act would apply to people who bounce checks, don't pay loans, lie about collateral, or otherwise steal money.

But in fact, the act applies to officers, directors and employees of national banks, banks that are federally insured though not members of the Federal Deposit Insurance Corporation, and insured savings and loans or credit unions.

The House Bank was none of those things. Does it seem reasonable that a business operated by the Congress should follow the same laws that other businesses do? Does it seem reasonable that if a business is operated by the House of Representatives the Congressmen should be considered directors, responsible for the activities of the business?

A lot of people would think so.

Under what circumstances can a non-congressional banker be fined $1,000,000 a day? He or she can be fined if the banker:

- "violates any law or regulation;
- "recklessly engages in any unsafe or unsound practice...
- "breaches any fiduciary duty which is a part of a pattern of misconduct...

The law is obviously intended to insure that bankers are not negligent in their duties to oversee the affairs of the financial institution. In other words, a bank director could be fined if a financial statement were missing from a loan file.

If that's the case, shouldn't every member of the House be fined for negligence in overseeing the affairs of the House Bank?

The answer, of course, is no.

The honorable, prudent members of the House should not be punished for the misdeeds of their improvident, or larcenous, fellows. Nor should anybody else have their property confiscated, or be otherwise savagely punished, for the misdeeds of others.

But neither should members of Congress pass laws inflicting penalties they are not willing to suffer themselves.

If Congress had applied the civil rights and other anti-discrimination laws of this country to itself, the laws would make a lot more sense.

If members of Congress and their families had no more health care benefits than the 20,000,000 employed Americans who have no coverage today, our system would be soon reformed.
The President of the United States, who opposes socialized medicine although he enjoys it, might even sign the bill.

And the nation might have a little more respect for Congress.

Compared to the nation's health needs, a few hot checks really don't matter very much.

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