You Scratch My Back...

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With their eye on campaign cash, President Obama and lawmakers from both parties have decided they can all get more from corporate constituents if they cooperate to enact legislation that big donors want.

The legislation is the JOBS Act, or Jump-Start Our Business Start-Ups Act, which passed the House with White House support this month and will be voted on this week in the Senate. JOBS, named in Orwellian fashion, is not about jobs. It is about undoing investor safeguards in federal law, including parts of the Sarbanes-Oxley law and other landmark protections, so that companies can raise money without having to follow rules on disclosure, accounting, auditing and other regulatory mainstays.

Its proponents — stock exchanges, venture capital groups, biotech start-ups, investment banks — say that the easier it is for companies to raise money, the more they will grow and hire workers. Its opponents — the current and former chairmen of the Securities and Exchange Commission, the association of state securities regulators, AARP, the Consumer Federation of America, the A.F.L.-C.I.O. labor federation and unions, several big pension funds and many prominent securities experts — have presented ample evidence to show that deregulation raises the cost of capital by harming investors and impairing markets, making it harder for legitimate companies to thrive.

John Coates of Harvard Law School recently told a Senate banking subcommittee that the proposals in the JOBS Act "could not only generate front-page scandals, but reduce the very thing they are being promoted to increase: job growth." Harry Reid, the Senate majority leader, and other supporters, notably Senator Charles Schumer of New York, have responded to the warnings by fast-tracking the bill for passage. Over the past week, Senate Democratic leaders scrapped plans for introducing a Senate version that presumably would have restored some of the protections gutted in the House bill. Instead, they chose to embrace the House version.

When a handful of Democrats objected, Senate leaders agreed to consider a package of investor protections as amendments, but under a procedural tactic that will require 60 votes for them to pass. That will allow many Democrats to vote for the amendments, appearing to support investor protections, but without having to worry about them actually passing. When the amendments fail, the Senate is likely to pass the House version, and Mr. Obama seems likely to go along — despite the harm that would mean to investors, the markets and the economy.