Jobs' Bill Clears Senate, Moves Back To House

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By a wide, bipartisan margin, the Senate voted 73-26 Thursday to approve a bill pitched as a way to boost jobs by easing business regulations, likely the measure's last significant hurdle before it can be signed into law.

Backed by the Obama administration and the House, the bill reflects a rare display of bipartisanship among lawmakers eager to demonstrate they are doing all they can to help create jobs ahead of the November elections.

But economists and policy experts warned the Jumpstart Our Business Startups, or JOBS, act is unlikely to create jobs, at least not on a large scale or anytime soon. Many argued its rollback of regulations would only lead to greater instances of financial fraud.

"It will have a minimal impact" on jobs, said Jay Ritter, an expert on initial public offerings at the University of Florida.

"Bipartisanship is greatly overrated," said Simon Johnson, a Massachusetts Institute of Technology economist. "Whatever else it does, it's not going to create jobs."

The bill now moves back to the House, where it is set to receive a final vote soon. The House approved an earlier version of the bill two weeks ago by a vote of 390-23.

The House must take it up again after the Senate added provisions aimed at protecting investors in startups that use so-called crowdfunding techniques, in which entrepreneurs tap thousands of investors for very small shares of stock. The crowdfunding changes only partially address concerns the bill guts investor protections, objections raised by a wide array of federal and state regulators, consumer advocates as well as investor groups.

White House Press Secretary Jay Carney said President Barack Obama is " heartened" by the new crowdfunding protections and the administration "will be vigilant in monitoring this and other elements to ensure the overall bill achieves its goal of helping entrepreneurs while maintaining protections for investors."

Carney said more work must be done to pay for infrastructure, to hire more teachers and first responders, and to reauthorize the Export-Import Bank, a federal agency that helps U.S. exporters.

To encourage more companies to go public, the bill says companies wouldn't have to hire an accountant to make sure their internal systems are up to snuff for five years. Now, companies only are exempt from doing so for the period covered by their first annual financial statement.

Most newly public companies also wouldn't need to provide investors with as many years of audited financial information as is the case now, nor would they have to adhere to rules that give shareholders a say on executive compensation, a provision in the 2010 Dodd-Frank financial regulatory overhaul. For five years, they also would be excused from new national accounting standards.

The bill also would make it easier for startups to pitch investments to wealthy individuals and would quadruple to 2,000 the number of shareholders closely held companies and community banks can have before they must open their books to the Securities & Exchange Commission. The cap wouldn't apply to employees of those companies.

John Coates, a law professor at Harvard, said job creation only would materialize years from now, after the SEC adjusts its rules to reflect the bill's changes.

He also cautioned that the U.S. capital markets could become more like Russia's in that corporate disclosures could become less meaningful and, because of the shareholder-cap changes, there could be more trading in private markets where there is less antifraud enforcement. Individual investors would be more on their own, Coates said.

"It will increase legitimate companies' cost to capital," he warned.

Supporters haven't offered an economic analysis showing the measures would boost jobs, but they hope companies will hire more if they aren't faced with sometimes-expensive regulations. On the IPO provisions, backers note the majority of job growth at fast-expanding companies occurs after they go public.

Prior to Thursday's vote, Sen. Pat Toomey (R., Penn.), said the bill was the most progrowth measure in years.

But Martin Kenney, a professor at the University of California, Davis, warned any additional companies that go public because of the bill's loosening of regulations are likely to be of lower quality--the types of companies more likely to go under or bankrupt. As a result, much of any job growth from a revitalized IPO market is likely to be "ephemeral," he said.