



June 1, 2016

BOARD OF DIRECTORS

NCPA President and CEO
James H. Amos, Jr.

NCPA Executive Director
and Vice Chairman
Allen B. West

NCPA Chairman
Mr. Steve Ivy
Heritage Auctions

Mr. Stephen A. Batman
1st Global Research & Consulting

Mr. William "Tex" Gross
Commerce Street Holdings, LLC

Mr. Dennis McCuiston
*Institute for Excellence in
Corporate Governance,
University of Texas at Dallas*

Mr. John Strauss
JLS Investments

Mr. Larry Wedekind
IntegraNet

Mr. Michael L. Whalen
Heart of America Group

EMERITUS
BOARD OF DIRECTORS

Ms. Virginia James
Mr. Don A. Buchholz
Mr. Harlan Crow
Hon. Pete du Pont
Mr. Jere W. Thompson

The Honorable Jeb Hensarling, Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

On behalf of the National Center for Policy Analysis (NCPA), I am writing to express our support for your efforts to create a pro-growth, pro-consumer alternative to the Dodd-Frank Act. The NCPA is a non-profit, nonpartisan public policy research organization dedicated to developing and promoting private alternatives to government regulation and control. We do not endorse specific pieces of legislation. Nevertheless, we strongly support your Principles of Financial Opportunity, particularly those policies addressing the need for competition and the need for less regulatory complexity.

Tucked deep inside the Dodd-Frank Act is a small but important provision on conflict minerals. Much like your description of the entire bill as a monument to "arrogance and hubris," Section 1502 on conflict minerals reflects the same and should be tossed into "the trash heap of history."

The Democratic Republic of the Congo (DRC), a former Belgian colony and second largest country in Africa, experienced a brutal, decade-long civil war during the 1990s that claimed millions of lives. The newly established DRC government told a handful of U.S. officials in 2007 that conflict lingered in the east because rebels funded their operations through the sale of minerals. That conversation gave birth to the idea of regulating conflict minerals. Legislation was introduced in Congress to force publicly-owned U.S. businesses to inspect their supply chains and declare the use of minerals sourced from the DRC, namely tungsten, tin, tantalum and gold. These minerals can be found in an assortment of products like clothing, electronics and household goods. Advocacy groups and Hollywood elites pressured Congress to use Dodd-Frank as the vehicle to pass the stalled legislation. In the end, the U.S. response to a domestic mortgage crisis included this bizarre regulation aimed at the Congolese rebels and conflict minerals.

The law initially compelled publicly traded U.S. businesses to declare themselves "conflict-free" until the D.C. Circuit Court of Appeals overturned the clause as a violation of the First Amendment. Now the conflict minerals provision orders companies to merely "disclose" to the Securities and Exchange Commission

(SEC) if they use minerals sourced from DRC. There are no real penalties nor consequences, as long as a company explores and reports back to the federal government.


Businesses of all sizes now conduct extensive and costly supply-chain reviews to comply with the Dodd-Frank conflict mineral regulation. Nearly 90 percent of affected businesses have hired at least one full-time employee, while others have had to hire upwards of five, just to comply with this largely toothless regulation. This provision has created a particularly burdensome impact on medium-to-small-size companies, the backbone of the American economy.

Meanwhile, the regulation engineered a *de facto* boycott on an already impoverished nation when companies fled to avoid compliance costs or the stigma of conflict minerals. Unfortunately, a large percentage of mineral operations came from Congolese artisan miners outside rebel control. This exodus of capital and business drove thousands deeper into poverty. Many families have since turned to unreliable subsistence farming. Others have joined militias for quick cash. Rebels, meanwhile, substitute conflict minerals for other sellable resources. Conflict continues in the Congo.

Bringing awareness to an issue is far more reflective of a free society than using the state to arbitrarily coerce citizens and businesses into adopting a *cause célèbre* regulation. Indeed, the power of the U.S. government to compel at random – other areas of conflict in Africa have no such mineral regulation – is an unwise and ambiguous use of government power.

The conflict minerals statute is a microcosm of the Dodd-Frank Act: a costly regulatory monster which not only failed to accomplish its intended purpose, but hurt those it was supposed to help. Your leadership in this matter is much appreciated.

Thank you for your consideration,

A handwritten signature in black ink, appearing to read 'DAG' followed by a flourish.

David A. Grantham, Ph.D.

Senior Fellow

National Center for Policy Analysis.