

Senator Maria Cantwell
Floor Speech
April 22, 2010
Financial Regulatory Reform

Madame President, this speech is not meant to target or malign anyone. It's simply to talk about our responsibilities to the American people that we have as members of Congress to our constituents.

Our country has been rocked by a financial crisis of epic proportions. One that will have American's paying for generations to come.

It has shaken the public's faith not only in Wall Street but in this institution—the United States Congress.

Whether it's Enron, or Bernie Madoff or the Wall Street bailout, the American people are asking themselves a fundamental question:

“Can I even trust those guys in Washington to look out for me when it comes to the special interests creating rules of the game that tilt the board in their favor?”

Some people listening today, may be smiling and thinking, “Senator, that is one of the oldest and most frequently asked questions in Washington, D.C. Whose side are you on?”

But never has the question of “whose side are you on” had such dramatic consequences on the economic lives of millions of Americans.

Over 2 million people have lost their homes, 7.3 million jobs have been lost and our government has put something like \$24 trillion on the line to help Wall Street in this meltdown, something that taxpayers will be paying for decades. To say nothing of the kids who won't go to college because college tuition went up 32 percent, or workers whose 401s have been wiped out, making it impossible to retire.

The American people have been let down by those involved in government oversight who have feigned, “this stuff is too complex for us to understand. We better listen to those outside interests. They understand this better than I do.”

It takes a mighty man who was in control of our financial markets for nearly two decades, like Fed Chairman Alan Greenspan, to admit that his philosophy was wrong.

But it took an even more dogged oversight by the likes of Henry Waxman to take a subject that some people think is subject too complex to understand and boil it down to a simple yes or no question:

Congressman Waxman to Mr. Greenspan: “Mr. Greenspan, the premise that you could trust markets to regulate themselves, were you wrong?” Mr. Greenspan: “Yes.”

Congressman Waxman to Mr. Greenspan: “Mr. Greenspan you found that your view your ideology was not right.”

“You found your idealolgy was not right?”

Mr. Greenspan in response: “Precisely.”

This is about the backbone of Congress and the central issue before us today is whether Congress is going to continue to trust Wall street and those that represent them because there’s too much complexity for Congress to understand. Really?

Is it any more complicated than national security or Medicare reimbursement formulas? Really? Is it too complicated?

P.J. O’Rourke said, “It’s a fundamental principle of the rule of law, a fundamental principle of economics, a fundamental principle of politics, that beyond a certain point, complexity is fraud.”

And I agree with him. How is it that average Americans know that a back-alley craps game filled with fixed dice is a no-win situation, yet a dark market with fixed financial instruments are allowed to carry on for more than a decade under the mischaracterized title of free market.

The issue as we were told over the last ten years by the Bush Economic Working Group, and, for that matter, the Clinton Economic Working Group, and now even some members of the Obama Economic Working Group, is that these issues are too complex to understand. Really? Is that what happened when Bernie Madoff literally made off with millions of investors’ life savings in a Ponzi scheme?

It wasn’t complex. And regulators, were they either afraid, lazy or paid off when they failed to ask a simple question: Let me see your books.

When we deregulated energy markets, and Enron had at least one manipulation scheme for every day of the week: Dust Star, Get Shorty, Ricochet, Fat Boy, just to name a few. These issues weren’t complex.

It was short supply to drive up the price. No, the issue is not complexity. It is about the central issue of markets. They have to have transparency and oversight to operate effectively. And never more have the American people been counting on their members of Congress to act like David against the Big Goliath Wall Street interests.

We have been repeatedly warned about derivatives, the long-term capital management crisis that almost took down the world economy in 1998 when it started using complex mathematical formulas to do derivatives.

Then the chairman of the Commodities Future Trading Commission proposed regulating derivatives. That is her agency's primary role. Not only was she told by the President's working group she couldn't, they helped mastermind a strategy with Congress to stop her. So instead of regulating derivatives, Congress passed a law making sure that the oversight agency couldn't regulate them. And just for extra measure, they also prohibited state attorneys general from regulating them as well.

Well, if you were on Wall Street, would you ever worry about what exotic financial tools you were cooking up if you knew there was no oversight?

Let me say that there are people on Wall Street who operate ethically without fraud, without manipulation and provide an essential tool to our economy and functioning markets. But when you take away the accountability on Wall Street, and we have had many votes here in the last ten years to regulate and have oversight of the derivatives market and bring them out of the dark, and those efforts have primarily failed because the so called smartest guys in the room stopped us.

Did it really take another 1933 Depression to remind us of our fundamental role?

I ask my colleagues to check their previous votes on derivatives and tell me whether they still want to vote the same way.

My constituents have been so disgusted by our lack of holding Wall Street accountable. They have said, "If you can't beat them, then at least break them up." So, Madam President, I will be offering an amendment to return us to Glass-Steagall, the law of the land previous to 2000 to help protect consumers for decades.

And I will be offering an amendment to strengthen our antimanipulation law to make sure if manipulation happens in the future, that there will be a price to be paid. And, Madame President, I will also say that my constituents want us to get this right, and get capital flowing to small business.

While Treasury turned the keys over to Wall Street to bail them out, small business is still being strangled by an access to lack of capital.

As one quote says, "This is more than a tale of one company's fall from grace. It is a story of a wrenching period of economic and political tumult as revealed through a single corporate scandal. It is a portrait of America at the turn of the century, torn between the worship of fast money and its zeal for truth, between greed and high mindedness,

between greed and high-mindedness, between Wall Street and Main Street. And ultimately it is the story of untold damage reaped by a nation's folly—a folly that in time we are all but certain to see again.”

I wish that quote was about our current crisis that started in 2008, but it's not. That quote is from a book called “Conspiracy of Fools,” by Kurt Eichenwald written in 2005. He warned us what was happening was a tremor leading up to the massive earthquake that was about to happen.

We didn't listen. Madame President, are we listening now? I'm going to be working with my colleagues to offer amendments on the floor to strengthen this legislation, to make it the strongest legislation possible, to be accountable to my constituents, and to make sure that we are putting derivatives back into the clear light of day.

I thank the President, and I yield the floor.

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