April 28, 2010

WASHINGTON, D.C. - Senator Tom Harkin (D-IA) spoke on the Senate floor today before the third scheduled procedural vote to bring financial reform legislation up for consideration. The previous two attempts Monday and Tuesday failed due to Republican obstructionism. Harkin's full remarks follow.

"Mr. President, yesterday in the Permanent Subcommittee on Investigations, we learned more about the reckless actions of traders and executives at Goldman Sachs. Goldman Sachs was hardly the only bad actor in bringing our financial system to the brink of collapse in 2008. Traders and executives at many other financial institutions got fabulously wealthy by gaming the unregulated casinos on Wall Street. They walked away with fortunes, even as millions of Americans lost their jobs, their savings, and/or their homes.

"Yet, as we witnessed in yesterday's hearing, Wall Street remains arrogant and unrepentant. And it has the gall to believe that it should remain free to continue business as usual. To that end, it has mobilized a legion of lobbyists – an estimated 1,500 of them . . . 15 lobbyists for every Senator – to try to kill or water down financial reform legislation.

"It is deeply unfortunate that every one of our colleagues on the other side of the aisle have joined with Wall Street in obstructing this legislation – every one of them is not just filibustering the bill, but even preventing it from coming to the floor for debate.

"I say to my Republican colleagues: Senator Dodd and Senator Lincoln have bent over backward to consult with Republicans and invite bipartisan cooperation. Their good-faith efforts have produced solid, common-sense legislation. Can it be improved? Of course. But we can only amend and improve this legislation if the Republican filibuster ends and the bill is brought to the floor.

"Mr. President, it is a bitter irony that, even as we spent a fortune in taxpayer dollars to rescue the global financial system, the self-appointed masters of the universe on Wall Street rewarded themselves with billions in bonuses and geared up to fight efforts by Congress to prevent a replay of the 2008 meltdown.

"Wall Street is all too used to living a different life – and playing by different rules – from Main Street. And nowhere is this disconnect between Wall Street and Main Street more stark than in the area of compensation. Over the last decades, compensation in the financial sector has skyrocketed, with some executives walking away with annual compensation of hundreds of millions of dollars, even as the inflation-adjusted incomes of ordinary working Americans have failed to rise.

"Mr. President, I am dwelling on this matter of compensation because it points to a larger issue. In my view, a big reason for the financial collapse of 2008 is that things got seriously out of balance and out of whack. As Glass-Steagall was repealed, as special interests attacked the very idea of government regulation, and as the SEC and other watchdog agencies turned into permissive poodles, bad actors on Wall Street stepped into the void.

"Pursuing fabulous riches, they drove our economy off a cliff. And it is ordinary Americans, the ones who work hard and play by the rules, who have paid such a terrible price for Wall Street's recklessness.

"And that is exactly why we need financial reform legislation. As others have noted, financial crises should not be things that happen every five to seven, much like periodic floods. Just as we can build dikes to prevent floods, we can take common-sense steps to prevent future financial meltdowns.

"This legislation will protect consumers in their everyday transactions involving everything from mortgages to credit cards to payday loans. It will safeguard families whose life savings and pensions can be devastated when a financial system collapses. And it will guard against future massive meltdowns in the financial system that almost always cause collateral damage to millions of innocent bystanders and to the broader economy.

"By all means, strong financial reform must include regulation of the derivatives market. I am very pleased that the basis for this regulation is the provision passed out of the Agriculture Committee under the leadership of Chairman Lincoln.

"Derivatives contracts have been at the heart of Wall Street's financial manipulation. From December 2000 to June 2008, the height of Wall Street's boom, the face-value of over-the-counter derivatives grew from $95 billion to $683 trillion.

"Now, I have no objection to derivatives as financial instruments. Many manufacturing companies use these financial instruments legitimately to hedge their risks. But, we also know that many parts of this market amount to nothing more than pure-and-simple gambling. So, despite derivatives' usefulness in many circumstances, we also know that the current structure of the market is in dire need of fundamental reform.

"The derivatives legislation reported out of the Agriculture Committee, last week, is now a component of the larger reform bill that we hope will soon be before the Senate. This proposal would bring these transactions into the light of day by requiring that all transactions be reported to regulators in real-time. It would also bring the vast majorities of these contracts into clearinghouses and exchanges. These market mechanisms help to reduce the concentration of risk in the system and bolster public transparency. This legislation also gets to the heart of the 'too big to fail' problem by prohibiting swaps entities from also being commercial banks. Commercial banks that are backed by the government should not be able to use that government backing to support their high-stakes gambling. That only magnifies the level of risk in the banking system. It is unfair to taxpayers, and also to bank customers and community banks.

“Mr. President, in addition to regulating derivatives, we also need a strong, truly independent financial consumer protection agency to guard against rip-offs and abuses in mortgages, credit cards, payday loans, and other financial products.

“We also need to slam the door on any future taxpayer bailouts of so-called 'too big to fail' financial institutions. No more AIGs or Citigroups. When companies make huge bets and lose, we need an orderly process for liquidating those companies. Period.

“To further improve the bill, I am a cosponsor of legislation offered by Senator Cantwell that would re-create the Great Depression-era regulation that prohibited the mixing of commercial banks, investment banks, and insurance companies. I am also a cosponsor of the SAFE Banking Act offered by Senators Brown and Kaufman that would limit the size of the largest institutions.

“In addition, I am supportive of legislation by Senators Merkley and Levin that blocks institutions that are insured by the FDIC from proprietary trading with their own funds. We can’t have high-risk gambling with the government standing as the backstop if there are large losses.

“Mr. President, America has been through financial collapses and deep economic downturns before. In charting the way forward, we can learn important lessons from the financial crash of 1929 that led to the Great Depression. FDR answered that crisis by implementing tough new regulations to stabilize the financial system, to rein in risk-taking and recklessness on Wall Street, and to make the economy work for ordinary Americans. This led to decades of shared economic prosperity unprecedented in our nation’s history.

“That needs to be our model as we shape today’s financial reform legislation. Our aim should be a Wall Street that serves the interests of Main Street. Our aim should be a financial system that makes possible a new era of economic stability and shared prosperity.”