

Opening Statement

Financial Services Hearing on Regulatory Reform

Thank you, Mr. Chairman, for holding this hearing today. I also want to thank the witnesses for coming before the Committee to discuss this important challenge that we face as a nation.

There is a consensus across America. We all agree that something went horribly wrong in our financial markets. We also agree that something needs to be done. But that, I think, is where the consensus ends.

A few years ago, we all watched as deregulation of the energy industry resulted in rolling blackouts throughout California and made paying the utility bills a struggle for many working families.

Now we are in a similar situation with our financial markets. The cost of this government intervention has gone through the roof and it affects every American, whether rich or poor, working or retired. The blame cannot be laid solely at the feet of deregulation, but that is certainly a good place to start. The lack of enforcement at the SEC would be laughable if it were not cost Americans so dearly.

A few months ago I came across an article written by Dr. Elizabeth Warren. Dr. Warren's article was on establishing a Financial Products Safety Commission, patterned after the Consumer Products Safety Commission. Dr. Stiglitz, you too have written on this, and I would like to explore how we would go about creating such an entity.

Could we transform the SEC into something capable of protecting investors from overly-risky financial products? Or would we have to create a new agency altogether?

I also would like to get this panel's opinion on the regulatory powers held by the Treasury and the Fed. Some troubling stories have come out recently about AIG and some of the banks that are receiving taxpayer money as part of the Troubled Asset Relief Program. We need to take a good hard look at the discretionary powers of the Fed and make sure it has the authority to set criteria for the behavior of institutions who accept our loans.

Our mission here is twofold: While we are collectively putting our fingers in the economic dike, we must simultaneously rebuild to make sure it is not breached in the future. Part of that rebuilding, I believe, should involve reinstating Glass-Steagall.

Whatever we build, it must be both stronger and more flexible to withstand the challenges brought by new financial products as they are introduced. As we pull ourselves out of this crisis, however many months or years down the road that will be, some will again bang the drum of deregulation. Let's make sure, before that happens, that we have learned the lessons of this monumental failure and put safeguards in place to protect us in the future.

Thank you Mr. Chairman. I look forward to the panel's answers.