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Dodd Delivers Floor Statement on Financial Reform

WASHINGTON – Today on the Senate floor Senate Banking Committee Chairman Chris Dodd (D-CT) addressed the recent misinformation campaign by opponents of meaningful financial reform. Senator Dodd set the record straight and explained how this bill will protect American taxpayers from having to pay for another bailout.

As prepared for delivery:

Mr. President, I rise today to set the record straight on some of the rhetoric I've heard over the past couple of days when it comes to financial reform.

Now, as I've said repeatedly during the many months we've been working on this important legislation, these are complex issues. There is room for disagreement and debate.

However, Mr. President, that debate – critical as it is to the future of our economy and to the livelihoods of millions of middle class families across this country – that debate should not be sullied by misinformation, or derailed by those who would try and make it just another partisan game.

Unfortunately, the talking points deployed by Wall Street Lobbyists in an effort to protect a status quo that leaves my constituents and all Americans vulnerable to another economic crisis – those arguments are littered with falsehoods, outright falsehoods that I regret to say are now being repeated by people who should know better.

Today, I want to set the record straight. And I want to start by tackling one of the wildest and, frankly, most dishonest objections to this legislation, which is the notion that it is somehow a partisan document.

I consider the Minority Leader and the Ranking Member of the Banking Committee to be good friends, patriots with whom I have had the privilege to work closely on other matters of national importance.

Senator Shelby and I have been working together for over a year on these issues, and I cannot for the life of me understand how anyone could claim with a straight face that this is a partisan effort.

I have spent the last year seeking bipartisan consensus.

In February of 2009, with the new Obama administration freshly sworn in, I insisted, from the beginning, that Senator Shelby's staff be included in meetings with the White House and Treasury Department on financial reform.

When I had the opportunity to take over the chairmanship of the HELP Committee, I chose to stay on Banking in no small part because of Senator Shelby's commitment to working with me on this legislation.

When I introduced a "discussion draft" back in November, Senator Shelby indicated that we had bipartisan consensus on at least 70 percent of the bill.

To get closer to a full agreement, we created four bipartisan working groups, each of which achieved real and meaningful progress that is reflected in this bill.

And even when Senator Shelby and I found areas where we could not agree, I continued to reach out to Senator Corker and others, spending weeks working towards consensus.

Countless hours – phone calls, meetings, emails, discussion drafts.

And you can see the results – the bill we marked up in Committee last month is much changed from the November discussion draft to reflect this work, and the ideas brought to the table by my colleagues of both parties.

My friends on the other side of the aisle may not like every line in this bill. But, at the very least, let's not pretend that the bipartisan work that produced this legislation didn't happen. That's a disservice to yourselves and your staff who have worked very hard with the Democratic staff.

If members want to vote against this bill and go on record in support of leaving your constituents vulnerable to more lost jobs, more foreclosures, more shuttered small businesses, more wiped-out retirement accounts – that's up to you.

But the outcome of this debate will, mark my words, affect the economic security of ordinary Americans. And they deserve to know the truth.

Today, I want to talk about bailouts. Nobody likes them.

As the President said in his State of the Union address, bailing out some of the big banks whose own mismanagement caused the crisis was "about as popular as a root canal." That of course happened under the previous Administration, I should note.

But serious legislators of both parties realized we had no choice. Our system was so broken that these companies had become too big to fail. If we did nothing, our entire economy could collapse.

You would think that, if you wanted to avoid being backed into that corner ever again, if you wanted to avoid more bailouts, you would oppose efforts to protect the status quo.

But Wall Street special interests needed a way to defend this broken system. After all, for many of them, the kind of mismanagement that cost us millions of jobs is the way they pad their profits and pay their lobbyists.

And so they turned to Frank Luntz, their political strategist.

Here's what Mr. Luntz came up with, and I quote: "The single best way to kill any legislation is to link it to the Big Bank Bailout."

No matter what is proposed, no matter what's in the bill, no matter what protections it includes, call it a bailout. It's a naked political strategy, and if it succeeds, and this legislation goes down, and another crisis sinks the American economy, then the next recession and all of the damage it will bring to middle class families will have happened for the sake of that false talking point.

Now, I don't expect Frank Luntz to care about the truth. I don't expect the bank lobbyists and the special interests to care about the truth. But the American people deserve better from us.

And that's why I've been so dismayed to hear members of this body repeat the utter falsehood – concocted by special interests whose jobs and pensions are plenty secure, thank you very much – that this bill will lead to more bailouts.

Frank Luntz suggested that allies of the big banks say: "If there is one thing we can all agree on, it's that the bad decisions and harmful policies by Washington bureaucrats that in many ways led to the economic crash must never be repeated."

The Minority Leader said earlier: "If there's one thing Americans agree on when it comes to financial reform, it's this: Never again should taxpayers be expected to bail out Wall Street from its own mistakes. We cannot allow endless taxpayer-funded bailouts for big Wall Street banks. And that's why we must not pass the financial reform bill that's about to hit the floor."

Remember what Frank Luntz said: "The single best way to kill any legislation is to link it to the Big Bank Bailout."

It's straight from the Wall Street special interest playbook. And it's just a Wall Street lie.

This bill ends bailouts. And here's how.

First, for the first time, our country will have someone with the job of monitoring risks to the financial system and sounding the alarm before these risks can take down the system. And the bill imposes tough standards on Wall Street firms that create those risks.

It establishes a Financial Stability Oversight Council to monitor risks and requires the Federal Reserve to write strict rules including stronger requirements regarding capital, leverage, liquidity, and risk management on the largest financial companies, making it hard for them to get too large, and limiting the risk they present. Cracking down on the biggest players is critical to ending bailouts.

And if a Wall Street firm does become too big or too complex and poses a grave threat to financial stability, the Federal Reserve will have the power to restrict its risky activities, restrict its growth, and even break it up.

Additionally, our bill extends oversight to dangerous nonbank financial companies like AIG that could pose a risk to our financial stability.

And it prohibits banks and other financial institutions that own banks from engaging in proprietary trading, making risky bets with money that doesn't belong to them.

Second, our bill eliminates the Federal Reserve's ability to prop up individual institutions using its 13(3) authority, another way to stop banks from thinking they could be bailed out. The Fed's lending authority is strictly restricted, not expanded as some have claimed.

Third, our bill sets up a predictable, orderly, and safe process for shutting down dangerous Wall Street firms that fail without endangering the entire economy. No financial firm will be "too big to fail."

Large, complex financial companies will be required to submit plans for their own shutdown – we call them living wills – if the company goes under. Companies that fail to produce a realistic plan will be hit with tougher capital requirements, restricted in how much then can grow, and maybe even broken up.

Most large financial companies would be resolved through the normal bankruptcy process.

But where bankruptcy is not an option, the bill creates a mechanism for the FDIC to unwind those companies. The management will be fired, shareholders will be wiped out, and creditors will take losses.

And middle class families on Main Street won't have to pay a penny: The largest Wall Street firms will have to put up money for a \$50 billion fund to cover the costs of liquidating the failed financial firm, and any shortfall will be made up by the largest and riskiest financial firms.

Wall Street doesn't like this fund, they are plenty content to let taxpayers continue to pay the price for industry mistakes. But let me be clear, despite what their apologists may

claim, these funds can only be used by the FDIC and only used to liquidate the failed company, not prop them up.

To review: Our bill imposes tougher standards on large, risky Wall Street firms. It eliminates the federal government's capacity to bail out individual companies. And it requires that financial firms write their own shutdown plans and then pay for the liquidation process if it's needed.

Here's what I will say to Wall Street. If you have a better idea, let's hear it. If you have other ideas, let's debate them.

But if all you have are up-is-down, black-is-white talking points that bear no relation to reality, then get out of the way and let the serious legislators work.

The outcome of this debate affects the economic security of every single American family. It's too important that we get this right. We can't afford to play politics on this one.

I yield the floor.