Statement of Representative Jackie Speier,

Financial Services Committee hearing April 20, 2010:

Public Policy Issues Raised by the Report of the Lehman Bankruptcy Examiner

Mr. Chairman, thank you for holding this important hearing.

More than 18 months have passed since Lehman Brothers collapsed. But the repercussions of its failed—and possibly criminal-- leadership continue. As was detailed by my colleagues on the first panel, state and local governments across the country who invested taxpayer dollars in supposedly safe Lehman investments have had to cancel important projects, layoff employees and make other drastic service cuts to make up for their losses.

They lost, but others profited handsomely from Lehman's reckless actions.

Lehman CEO Richard Fuld is before us today. He certainly profited handsomely. He made almost $500 million in salary, bonuses and stock options since 2000. You note I did not say earned. He has publicly stated that he felt "horrible" about the failure of Lehman. I say that is not enough. Give it back00disgorge yourself of the money. It is time that those whose greed, arrogance and fraud caused this crisis be held responsible. The bankruptcy examiner makes a compelling case that fraud took place and that Mr. Fuld is lying about his role in it. I guess that is to be expected since he is trying to avoid liability. It's funny—Repo 105 is more like Criminal Procedure 101.

The executives of Enron were held criminally and civilly responsible for their fraud. Their accountants were held liable. We must demand the same here, not just for Lehman, but for all those on Wall Street who have bought into the culture of greed and profit for themselves no matter the cost to others.

The executives are not the only ones responsible. Government regulators bear a large share of the responsibility. Mr. Fuld argues that Lehman could have survived if it had been one of the “club” favored by the Fed and Treasury and provided a bailout just like Merrill and Bear Sterns and AIG. Instead, the government chose to let Lehman fail. And as we can now see thanks to the diligent and exhaustive work of Mr. Valukas, Lehman’s failure should not have come as a surprise to the SEC or New York Fed.

Its collapse was months and years in the making as Lehman executives dramatically increased risk, used accounting shell games like “Repo 105” to hide that risk, and then “doubled down” on what was essentially gambling with other people’s money. The regulators and rating agencies who were supposed to be protecting investors and the public were apparently too bought into the culture or incompetent to stop them.

So the residents of my county have now lost twice—as taxpayers they had to bail out the Wall Street firms like JP Morgan, Citigroup and Bank of America who participated in Lehman’s demise, and through their supposedly “safe” investments in Lehman corporate bonds and notes, they lost the taxes they paid for local schools, roads, and public safety.

It is far beyond time for the Treasury Secretary to use the authority given to him by Congress to repurchase these investments from the state and local governments—and the taxpayers they serve-- that continue to suffer as a result of the government failure that led us to today. It is time to end a culture where executives routinely with their armies of high paid lawyers claim that what they do is not technically illegal. It is time to pass real and meaningful financial reforms that will bring accountability and transparency back to our financial system and ensure that taxpayers will never again have to bail out Wall Street while Main Street takes it on the chin.