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Ranking Member, Committee on Oversight and Government Reform
U.S. House of Representatives

Address to Conference on Executive Pay and the
Dodd-Frank Wall Street Reform and Consumer Protection Act
Hosted by Public Citizen
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Thank you for that very kind introduction. I would like to thank the AFL-CIO, Public Citizen, and Americans for Financial Reform. It is truly an honor to be with you today. I would like to address the topic of today's discussion in three parts: where have we been, where are we now, and where I believe we need to go in the future.

Where We Have Been

Let me start by taking you back to October 23, 2008.

This was the height of the financial crisis. The Federal Reserve had intervened to save Bear Stearns from collapse. In the previous month alone, Merrill Lynch had been sold to Bank of America, AIG had just received an $85 billion bailout from U.S. taxpayers, and Lehman Brothers, the 158-year-old financial firm, had just collapsed and filed for bankruptcy.

It was an uncertain and extremely precarious time. President Bush asked for an astonishing $700 billion to prevent a contagion from spreading through the financial markets, and Congress approved it.

What went wrong? How did our nation go from record surpluses at the end of the 1990s to the most devastating economic collapse since the Great Depression at the end of the Bush Administration?

On that day—October 23, 2008—these were the questions Members of my Committee, the House Committee on Oversight and Government Reform, were asking at a hearing with Alan Greenspan, the former Chairman of the Federal Reserve.

I remember, as I sat in that hearing room, that he appeared visibly shaken as he struggled with the implosion of his own philosophy of financial deregulation. The economic collapse forced him to realize that he had made a fundamental error. And then he made this startling admission to the Committee:

> I made a mistake in presuming that the self-interest of organizations, specifically banks and others, was such that they were best capable of protecting their own shareholders.

Greenspan's admission was front-page news across the country and around the world. It was an acknowledgement that our government should have played a stronger role in monitoring corporate abuse, in halting corporate excess, and in preventing corporate risk-taking that rewarded massive short-term payouts over responsible long-term growth.

Earlier this year, the Commission established by Congress to investigate what went wrong—the Financial Crisis Inquiry Commission—confirmed Greenspan's testimony. This is what the Commission found:

> More than 30 years of deregulation and reliance on self-regulation by financial institutions, championed by former Federal Reserve chairman Alan Greenspan and others, supported by successive administrations and Congresses, and actively pushed by the powerful financial industry at every turn, had stripped away key safeguards, which could have avoided catastrophe.

The Commission went on to explain the specific role of excessive compensation in leading directly to excessive risk. This is what their report said:

> Compensation systems—designed in an environment of cheap money, intense competition, and light regulation—too often rewarded the quick deal, the short-term gain—without proper consideration of long-term consequences. Often, those systems encouraged the big bet—where the payoff on the upside could be huge and the downside limited.

Less than two weeks after that hearing with Alan Greenspan, Barack Obama was elected President with the promise of making real reforms. The American people had seen what happens when they rely too heavily on corporate self-interest, and they voted for change.

What happened next was amazing, especially in Washington DC: change happened. President Obama worked with a Democratic Congress to enact the Dodd-Frank Wall Street Reform and Consumer Protection Act.

This landmark legislation created the first-ever watchdog agency designed to protect American consumers against the abuse of unscrupulous financial entities. The Consumer Financial Protection Bureau (CFPB) began its mission of enforcing federal consumer financial laws.

The Dodd-Frank Act also included executive compensation and corporate governance provisions that provided shareholders with a say on pay, and provided regulators with greater power to pursue financial fraud.

This was a tremendous achievement. And we complemented it with more robust Congressional oversight of the financial sector. We held hearings on conflicts of interest with compensation consultants, we investigated deficiencies with credit rating agencies, and we examined the widening gap between the ultra-rich and the majority of middle-class American workers.

Where We Are Now

So, where do things stand now, in 2011? Today, a new Republican majority in the House of Representatives wants to turn back the clock, repeal the reforms we put in place, and return to the flawed philosophy of deregulation.

After unprecedented assistance from the American taxpayers, Wall Street is back. Corporate profits have returned to their highest levels in years, and executives are making record salaries. U.S. corporations are now sitting on trillions of dollars, and the richest Americans are continuing to see their income and wealth grow exponentially.

Main Street, however, is struggling. Although the unemployment rate has dropped slightly, it continues to hover at about 9%, and even higher in minority communities. Mortgage servicers continue to foreclose on millions of American families, while banks have yet to be held accountable for the abuses that caused this crisis and continue to aggravate it today.

There is a startling statistic on the first page of the Financial Crisis Inquiry Commission's report, and it conveys just how devastating this crisis has been for middle class Americans. It says this:

> Nearly $11 trillion in household wealth has vanished, with retirement accounts and life savings swept away.

That is a breathtaking and heartbreaking statistic. The report also says this:

> As a result of the reckless and in some cases illegal action of corporations that caused the economic crisis, millions of hard working Americans lost their jobs, and many of them continue to be unemployed or underemployed.

Nowhere has this impact been greater than among minority households. Pew Research found that from 2005 to 2009, median wealth among black and Latino households fell by 53% and 66%, respectively, compared with 16% among white households. The result is the largest-ever wealth gap between minority and white households since the government began publishing this data a quarter century ago.

Based on these stark figures, it is obvious to me what we need to do. Over the past three years, the American taxpayers have given Wall Street unprecedented support and assistance. As a nation, we have funded trillion-dollar bailouts in order to save them from disaster, and to protect our entire financial system from ruin. Now that they have recovered, it is time for them to give back. We need to shift our focus to helping Main Street and the millions of middle-class American families and workers who were the true victims of this crisis.

Unfortunately, the new Republican majority disagrees. One of the first bills they introduced this year was to repeal the Dodd-Frank Act in its entirety. They rail against government regulation as if the 2008 crisis never happened. It's as if they covered their ears and buried their heads in the sand when Alan Greenspan testified in 2008.

Just last week, Republican Senators blocked the nomination of Richard Cordray as the new head of the CFPB. They did not block him because he was unqualified. In fact, many Republican Senators conceded publicly that he was extremely well-qualified for the position. They blocked his nomination because they oppose the whole idea of an agency that protects middle-class families and American consumers from the abuses of Wall Street corporations. They oppose transparency, they oppose oversight, and they oppose the enforcement of our consumer protection laws.

Think about how extreme this is. The CFPB was established by legislation that passed the House, passed the Senate, and was signed by the President. Members of Congress swear an oath to uphold and defend the Constitution, but these Senators are defying the duly enacted law of the land on behalf of corporate special interests.

In addition to trying to roll back these reforms, Congressional Republicans have launched the single most aggressive and destructive assault on American workers in modern history. They have relentlessly attacked that National Labor Relations Board. They have tried to void fairly negotiated contracts between unions and management. They have gone after postal workers who have already faced massive layoffs and agreed to take pay and benefit cuts.

Republicans—who supposedly favor tax cuts across the board—opposed tax relief for millions of hardworking Americans through the payroll tax cut. These are the same Republicans who were willing to shut down the government to protect tax cuts for the richest 1% of the population. Now Republicans essentially have been embarrassed into supporting the payroll tax cut. But they claim they need to pay for it through pay freezes for the same middle class workers this tax cut was intended to help. They won't even entertain an effort to close tax loopholes for oil companies—the richest industry in the history of the world—but they want workers barely scraping by to contribute even more.

The Way Forward

As we look to the future and chart a course forward, I believe with all my heart that we must defend the progress we have made so far and make as clear as possible to the American people the differences in what we stand for.

Elizabeth Warren has done more on these issues than perhaps anyone in this country, first as head of the Congressional Oversight Panel created to oversee the implementation of the Emergency Economic Stabilization Act and then as the Administration official charged with helping to set up the CFPB. She likes to point out that nobody in this country got rich on his own. We all pay for the interstate highways that allow commerce to flourish in this country. Taxpayer investments in research and development help spawn new technologies that all businesses take advantage of today.

I bear no ill will toward my colleagues on the other side of the aisle. But I fundamentally disagree with their policies, which caused the biggest economic collapse since the Great Depression. In my opinion, it is time for those who have benefitted from success in this country to do their part and contribute their fair share. After unprecedented support from the American taxpayers in rescuing Wall Street from collapse, it's time for all of us to help Main Street.

The Republicans call this class warfare. They say it is redistribution of wealth. But they certainly did not say that in 2008 when Wall Street was asking for help. The fact is that this redistribution is already happening, and it's going in the opposite direction.

Last month, a study issued by Citizens for Tax Justice reported that 78 of the country's most profitable corporations paid no federal income taxes in at least one of the last three years. In August, the Institute for Policy Studies issued a report finding that 25 of the 100 highest paid CEOs took home more in pay than their entire companies paid in federal income taxes. In 2009, corporate CEOs made 263 times more than workers, on average. Last year, that number skyrocketed to 325.

If you remember 2008, AIG defended obscenely high salaries for its executives who generated massive corporate profits. But AIG continued these exorbitant salaries even after the company went under and needed a taxpayer bailout. Their argument was that they needed to pay these amounts in order to keep their executives from fleeing the company. Those were taxpayer funds.

We heard the same argument at a hearing before our Committee just last month from the CEOs of Fannie Mae and Freddie Mac. Despite billions of dollars in support from U.S. taxpayers, and despite a horrendous record of assisting homeowners to avoid foreclosure, they paid their executives lavish, million-dollar compensation packages, reportedly in order to retain talent.

These are millions of dollars paid by U.S. taxpayers going to these executives. And they do not seem to be tied in any legitimate way to the actual performance of their companies. It makes no difference whether they are performing well or poorly—there never seems to be a bad time for million-dollar bonuses.

These are not the only entities currently funded by taxpayers that pay lavish compensation to their executives despite substandard performance.

Earlier today, I launched an investigation into corporate pay structures at for-profit colleges. As you may know, for-profit schools receive the majority of their funding from U.S. taxpayers in the form of student assistance. These include Title IV loans and grants, Title X tuition assistance, and Veterans Education Assistance Act funds.

Yet, when compared to public and nonprofit schools, for-profit companies spend a smaller percentage of their funds on student education, reserving more for marketing, advertising, recruitment, and other non-education expenses. Their student success rates are lower, and their students are more likely to default on loan payments, but their CEOs consistently make much more than their counterparts at public and nonprofit schools.

This morning, I sent requests to the CEOs of 13 for-profit schools seeking information about how their compensation agreements are tied to student performance. If the American taxpayers are funding the majority of these schools' operations, I believe we have a right and an obligation to understand how our money is being used.

Conclusion

Let me conclude by returning to Alan Greenspan's testimony before my Committee in 2008. He said his mistake was presuming that banks were in the best position to protect the interests of their shareholders. In reality, the motivation of the CEOs was skewed to maximize short-term profits even at the expense of long-term growth.

The broader point is that we are all in this together. It is not class warfare to ask the richest members of our society to contribute their fair share to our nation, especially when they have benefitted in so many ways from the unprecedented support of U.S. taxpayers in rescuing this economy.

At the height of the financial crisis, Wall Street begged for help and got it from the U.S. taxpayers. Now American families and workers on Main Street need help, and it's time to give it to them.

My position is 100% pro-growth. I want corporations to succeed, and I want workers to succeed. I want income levels to rise across the board. I want benefits to be enhanced, not scaled back. I want to encourage innovation and creativity that leads to a vibrant and thriving economy. I want families across the country to enjoy the fruits of economic success.

But we will not achieve this growth by lavishing additional tax breaks on the ultra-rich. We will not achieve this growth by eliminating regulations that ensure transparency, openness, and fairness. We will not this achieve this growth by attacking American workers and eviscerating their rights under the law—the very same workers who are the true engine of economic growth in this nation.

There is an old African proverb, which says this, "If you want to go fast, travel alone. If you want to go far, travel together."

We must realize that we are all in this together. We can, and we must, fuel the engine of economic growth by finally helping the millions of American workers and their families who will drive our nation to prosperity in the future.

Thank you very much for the opportunity to be here today.

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