

doing great, Blaine, but little detail, you have cancer. That kind of gets your attention. And you think, I better get that dealt with right away. They say, well, that's just fine, but you are going to have to wait for, you know, whatever it is. You are going to have to wait 6 months to get treated. You got melanoma, that's probably not a real good idea to be waiting 6 months.

I have a good friend that's a doctor friend of mine, Steve Smith. He has told me that on these kinds of things, you just don't want waiting lines. You just don't want socialized medicine. His advice to me is the same as the doctor friends we have down here, just repeal this piece of junk. That's what he is saying.

My good friend from Missouri, Congressman LUETKEMEYER.

Mr. LUETKEMEYER. I thank the gentleman.

I think at the end of the day everybody understands now what's in this bill. And it's not something that's good for our country, it's not good for our people, it's not good for our business climate. It's impacting everybody in a negative way. And I think the only alternative is to replace and repeal it. I think that at some point we are going to be able to do that. And I think it's imperative that now that we have seen what's in it, and again have another report that's come out that shows it's going to cost more than anticipated, this thing is a boondoggle. It's got to be replaced, it's got to be repealed.

This can't continue because it's going to lead us over a cliff, as the gentleman from Tennessee has talked about TennCare. The Massachusetts plan continues to go over a cliff as well. We are headed over that cliff with our national health care as well.

Mr. AKIN. Thank you very much, Mr. Speaker. I appreciate my colleagues joining me here tonight and for being a part of an important discussion. It is an ongoing story.

#### THE NEED FOR FINANCIAL REFORM

The SPEAKER pro tempore (Mr. GARAMENDI). Under the Speaker's announced policy of January 6, 2009, the gentlewoman from California (Ms. SPEIER) is recognized for 60 minutes as the designee of the majority leader.

Ms. SPEIER. Mr. Speaker, I am joined this evening by a number of colleagues who are going to give us, I think, the reasons why financial reform is a must in this country. And the biggest poster child for why we have to do financial reform really is in Goldman Sachs.

So we thought we would start our discussion tonight by looking at the principles that Goldman Sachs has promoted on its Web site. There are 14 principles that Goldman Sachs has promoted on its Web site. The very first, and one I would like to start out with, is "Our clients' interests always come first." Well, let's talk about their clients' interests coming first.

Let's speak precisely about one deal, the deal called Abacus. And in Abacus their clients were many people. They had a client named John Paulson, the biggest hedge fund individual in this country. He wanted Goldman to sell mortgage-backed securities that were bad. They were subprime. And he precisely wanted them to sell them to many of their clients, and he was going to short them, meaning he was going to bet against them.

□ 1715

But it just doesn't end there. He specifically designed the package. He handpicked the mortgages that were going to be in the package. And then Goldman sold them to unsuspecting buyers. And lo and behold, what happened? What happened was Mr. Paulson made a billion dollars, and the other clients of Goldman Sachs lost a billion dollars, and Goldman Sachs walked away with \$50 million of fees that were paid to Goldman Sachs by Mr. Paulson. Now, that is the basis of the SEC complaint filed against Goldman Sachs for civil fraud.

So what is civil fraud, you might ask? Civil fraud is, it shall be unlawful for any person in the offer or sale of any securities to obtain money or property by means of any untrue statements of a material fact or any omission to state a material fact necessary.

So the question is, was it a material fact that Abacus was made up of these mortgage-backed securities, 90 percent of which were what are considered no doc mortgages? That means there was no documentation that the people that got those mortgages could pay for them. There was no documentation of income, no documentation of debt. Those were no doc loans. And there was a history of no doc loans going back. So it was fixed from the very beginning.

They were arranged by John Paulson, a material fact that was not disclosed to the other buyers, and it was not disclosed to the other buyers that John Paulson created this because he wanted to short them, because he wanted to bet against them. So if there ever was a case of fraud, I would argue that that was a case of fraud. Yet Goldman Sachs says, "Our very first priority is that our clients come first."

Let's move over here to No. 14: "Integrity and honesty are at the heart of our business. We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives."

Well, there is one gentleman who has worked for Goldman Sachs that they referred to as the Fabulous Fab. He's a gentleman by the name of Fabrice Tourre out of their office in London. Well, I wouldn't suggest to you that Mr. Tourre is fabulous. I would suggest to you that he is fraudulent.

In some of the e-mails that the Senate Committee on Investigations was able to collect, this is what Mr. Tourre

was saying. Now, Mr. Tourre is the individual who was selling these synthetic collateralized debt obligations. He was the one that was doing the work on behalf of Mr. Paulson. So what did he say? He said, "The whole building is about to collapse anytime now." Those were Mr. Tourre's words. He described himself in an e-mail as the only potential survivor, the Fabulous Fab, standing in the middle of all these complex, highly leveraged, exotic trades he created without necessarily understanding all the implications of these monstrosities. He then went on to say in an e-mail in 2007, he described the mortgage business as "totally dead and the poor little subprime borrowers would not last too long." Yet 2 months later, he was boasting that he continued to dump some of the worthless mortgage securities on, and I quote, "widows and orphans that I run into at the airport."

This is a man of integrity and honesty. I would suggest that is not the case.

And, finally, in an e-mail to his girlfriend, he called his Frankenstein creation, these synthetic CDOs, a product of pure intellectual masturbation, the type of thing which you invent telling yourself, well, what if we created a thing which has no purpose, which is absolutely conceptual and highly theoretical and which nobody knows how to price? That's Mr. Tourre, who yesterday when he testified said, and I quote, "I firmly believe that my conduct was correct." That is Mr. Tourre. That is Goldman Sachs.

I would like to now ask my good friend, JOHN YARMUTH from Kentucky, to join me in this colloquy.

Mr. YARMUTH. I thank the gentlewoman for yielding.

It's a great pleasure to be here today to discuss with the American people the fundamentals of the problem that we're trying to deal with with the Wall Street reform legislation now working its way through Congress.

I had the privilege in the last Congress to be a member of the Oversight and Government Reform Committee when all of this was unfolding, in the fall of 2008 when for the first time people were getting a sense that Wall Street was essentially operating like an unregulated casino. It was essentially the Wild West of finance. And my economics training, as skimpy as it may have been, taught me that the financial system in our capitalist form of government, in our free market, is supposed to help with the allocation of capital in its most productive way so that capital finds its most productive uses. And what we found looking at these incidents as they unfolded back in 2008 and as we have seen even up until the last couple of weeks is that the giants of the financial system in this country, Goldman Sachs, the other major Wall Street financial institutions, weren't guiding capital to its most productive use.

They were guiding capital, hoarding capital, accumulating enormous sums

of capital, in some cases essentially creating capital out of the ether, and deploying it for their own very greedy use. And I know that when we have had arguments both inside of Congress and out over the last few years, we say, well, why would government allow these institutions to get so big that they can wield this kind of power? And the answer we always got from the Goldman Sachs of the world and from others was, well, we need to be that big so we can compete in the global economy.

The question they have never answered to my satisfaction and I don't think to the congresswoman's satisfaction and certainly I don't think to the American people's satisfaction is competing for whom? For what? To what purpose? Because if we allow, as a society, companies to get that big where they can threaten to bring down the entire economy and they don't produce any good for society at large, then why do we care if they can compete?

Whom are they competing for? Are they competing just for their stockholders? In the case of Goldman, are they competing just for their partners who take home \$13 billion, \$15 billion worth of bonuses each year? That's the question I think that is at the core of this debate and has to be as we move forward trying to decide exactly what policies we should adopt.

In Goldman's case, as I mentioned, I think in 2009, the total bonuses they have allocated for their partners, their principals, and their employees is something like \$13 billion. Do you know how much their Federal tax rate was? It was .9 percent, .9 percent.

Now, virtually every American pays a higher tax rate than that. Goldman Sachs paid less than 1 percent of its net income in taxes, while its principals and its employees, its top earners, Mr. Blankfein and others, were making millions upon millions.

So we have to say, does society benefit from having Goldman Sachs here? No. I think we can make a pretty strong case that over the last couple of years, this country has suffered enormous damage, and not just in New York but throughout the country, throughout Main Street, with defaults, mortgage, collapse of banks, all sorts of things. The enormous problems with AIG and its cost to the taxpayers when we had to bail them out, largely attributable to the type of activity that Goldman and others were involved in.

So as we look through Goldman's business principles, and I think you have done an excellent job of pointing out some of the ironies, to use a gentle term, some of the ironies involved in those principles, we have to ask ourselves, what are Goldman's principles for being part of the American economy? Where do we show anywhere in there that they want to help our economy prosper? No. This is for their shareholders, their principals, and their clients who are among the wealthiest individuals in the world.

So while we worry about what Goldman has done, and I think most of us, most Americans, are outraged at, if for nothing else, the ethical shortcomings of the techniques that they have been using, we have to ask ourselves as well what good does Goldman Sachs, what good does Bear Stearns, may it rest in peace, and Lehman Brothers, what good do they do for the American economy? Because I think the evidence is pretty strong that, in fact, they have been extremely detrimental to the American economy and to the average American in their activities over the last few years.

Ms. SPEIER. Reclaiming my time, you mentioned that they paid a tax rate of less than 1 percent. The average American pays a tax rate of what?

Mr. YARMUTH. Well, actually, as we heard just a few weeks ago, about 47 percent of the lowest income earners in America pay almost no income tax. They do pay a significant employment tax, Social Security and Medicare. In fact, every American working pays 7.5 percent combined Social Security and employment tax. Income tax will vary. I think the average Federal income tax, people making \$40,000 to \$50,000 a year, was in the 3 or 4 percent range, which is still three or four times what Goldman Sachs was paying. And, of course, once you get to higher levels, the Federal income tax is somewhere—I think the average American making more than \$250,000 a year pays an average of 23 percent. So that's just somebody making \$250,000, \$300,000 a year, not the billions and billions of dollars that Goldman Sachs has made. They pay 23 percent on average more than Goldman Sachs paid.

Ms. SPEIER. Thank you.

I now yield to my good friend from the State of Oregon, PETER DEFAZIO.

Mr. DEFAZIO. Thank you for yielding.

I think the American people are a bit confused as to what is really going on here. And, you know, it's a lot like the Humphrey Bogart movie: What's going on here is gambling, plain and simple.

It would be one thing if these so-called investment banks like Goldman Sachs were lending into the productive sector of the U.S. economy, if they were lending to people who had good ideas to produce products and goods, employ Americans and help us compete in the world economy. But they are not doing that. In this case, they weren't even helping to package and move mortgages off of people's portfolios and someplace else. They were merely mimicking with what are called synthetic collateralized debt obligations, packages of bad or potentially bad mortgages to bet on, for this one hedge fund to bet against and make a billion dollars.

But then, of course, unfortunately, other parts of Goldman Sachs, apparently unbeknownst to them, I mean, in totally good faith, went to clients of Goldman Sachs and said, Hey, we've got a good product here we'd like to

sell you. Unfortunately, other parts of Goldman Sachs had assembled this product with the intention that it would fail, and these other people were not informed of that fact and purchasing them, although Goldman would say they didn't have an obligation to tell people that they had designed it to fail, working with someone who was betting it to fail, and that Goldman itself was betting on it to fail.

But the bottom line of all is it's a huge amount of churning on things that don't help the economy, help the American people, help us compete in the world.

□ 1730

Goldman has gone to the point in 2007, their gambling income—excuse me—their financial services, investment, self-proprietary, et cetera stuff, whatever you want to call it, was actually five times larger than their investment banking activities. So 20 cents of every dollar at Goldman was going into productive investment. The other 80 cents was going into gambling on imaginary products. It's a lot like fantasy football. A lot of Americans can understand that. Imagine if they took out and created synthetic products that related to fantasy football. Maybe some Americans can understand that.

Recently, one firm actually proposed, a Cantor Fitzgerald subsidiary, proposed to do futures on movies. In L.A. they would produce a movie and then the people on Wall Street would bet on what the opening weekend was going to return, and they would bet on how much money it might make. This became of such concern to producers in L.A. because they thought, My God, if they start out shorting us right away, that's going to depress our investment potential for the movie, et cetera, et cetera. So in the Senate bill they're actually banning this sort of derivative.

So they have banned two kinds of derivatives. One has been historically banned for some reason lost in the mist of time. Onions, you can't do them on onions. And the second would be movies from Hollywood. Otherwise, you can bet on anything. You can bet on the weather tomorrow as a derivative product. You can market it on Wall Street, et cetera, et cetera.

This is not a productive activity. I would suggest a simple way to deal with it. One thing that's good is the Senate has actually, for once, proposed something useful, which is to say that if Goldman wants to have a proprietary trading section and trade in these gambling products, that they couldn't be insured by the FDIC or draw money through special windows at the Treasury. We should not subsidize their addiction to gambling. The taxpayers should not subsidize it. That would be a good step.

But the other thing we could do would be to put a very modest tax on this gambling and to say, Look, for legitimate hedgers, airlines who want to

hedge against fuel price increases, farmers who are worried about failure of the corn crop, those people. We already distinguish between hedgers and speculators over at the Commodity Futures Trading Commission.

Let's just say hedgers would be exempt from the tax. But speculators, those who have no skin in the game, aren't producers, or even worse, are not even actually involved in any way as a counterparty but just merely creating synthetic things to bet for or against, they would pay a very modest tax. If the tax was approximately two-tenths of 1 percent—that's .002—on each of these, we could raise somewhere between \$30 billion to \$50 billion a year to help pay for some of the damage they have caused to our economy.

It might not raise that much because it might rein in some of this speculative activity, which I think would be a desirable impact; but I would suggest that would be one way to deal with this very, very reckless activity.

I congratulate the gentlelady for having this hour to highlight these concerns and the contradictions that we see in the business principles versus what we all saw going on.

With that, I'd yield back.

Ms. SPEIER. I thank the gentleman for his great commentary. I now would like to recognize from the State of Maryland (Mr. CUMMINGS).

Mr. CUMMINGS. I want to thank the gentlelady for holding this hour. And I want to thank her for yielding and I want to thank all my colleagues for being here tonight. As I listen to my colleagues this evening, I could not help but think that the American people have lost in at least two ways. One, they have lost with regard to money that they could have been making on the market. Two, they have lost because the so-called swaps that were purchased, these insurance—what we could call insurance, for those people who may be listening, Mr. Speaker—some of that money, particularly the ones that we're dealing with right now, were bought from AIG. When these bonds went down, AIG ended up paying.

Folks may be asking the question, What does that have to do with me? Well, the fact is that when those bonds were paid off, those are the kinds of—because they were paid off from AIG, just like an insurance policy would pay—a lot of American money had to go into AIG to keep it propped up—to the tune of \$180 billion, with a B.

I cannot help but think about yesterday as I listened to Fabulous Fab—

Ms. SPEIER. Fraudulent Fab.

Mr. CUMMINGS. Fraudulent Fab. As he talked, I heard no remorse. I heard folks basically saying, This is the way we do it, this is how we do it, and almost implying that it was none of our business, none of the business of the Senate or the House. The sad part about it, as I sat there, I really wanted to almost come through the television screen because I thought about all of the people who have lost so much, have

lost so much over the last few years. The people who have lost their homes, lost their savings, lost their jobs, lost opportunities. Children cannot go to school. They can't get loans. Yet, still folks sitting there from Goldman almost acting as if, You know what, don't even bother asking us about what we do. It's our business.

Well, it's not just their business because it affects almost every single American, the types of things they do. That's why 60 Members of this Congress wrote to the SEC—and I'm very glad to see Mary Schapiro taking over the SEC and doing what needs to be done—and said to them, Look, we're glad that you're bringing the civil action, but we also want you to look at other deals similar to this one because we want to get to the bottom of this. And we also said that if any money was paid from AIG to Goldman and Paulsen and it was ill-gotten, we want our money back. But we said another thing. We said that if there appeared to be criminal activity, we wanted it referred to the Justice Department so that they could take appropriate action.

Now let me be clear: I live in Baltimore. There are people in my neighborhood in the inner city of Baltimore that if they stole a \$300 bike, they're going to jail, period. A \$300 bike. And the reason why it's so important to me that we look at all these other transactions and try to figure out if there was criminal activity is because I want the folks on Wall Street to be treated like the folks on Madison Avenue in Baltimore. And so I think what we are doing here is so important. I think that we are at the tip of an iceberg, but we have got to chisel down.

The gentlelady, when she first started our discussion, she said reform is so important that we've got to deal with reform now. I think when you look at what has happened in this deal as it has been so wonderfully and accurately described by my colleagues, we understand why it is so important that we have transparency. We have got to have it.

Ms. SPEIER. Will the gentleman yield?

Mr. CUMMINGS. Yes, I yield to the gentlelady.

Ms. SPEIER. When you speak to the term "transparency," do you think that Goldman would have sold a dollar's worth of those synthetic collateralized debt obligations if people knew that their other client was shorting them and that 90 percent of them were no-doc loans that were destined to fail?

Mr. CUMMINGS. No, I really don't. Goldman, they said our slogan is: Our customers always come first.

Ms. SPEIER. Very first principle. Our clients' interests always come first.

Mr. CUMMINGS. Our clients' interests always come first. If that were truly their goal, they would have put out that information. They seem to be

saying, Well, you know, maybe it may be a little teeny bit unethical, but we did not have a duty. When you have a slogan like our clients' interests always come first, it seems to me that you would operate on the highest level of integrity, transparency, clarity, and accountability, end of case.

But that's not what happened here. And so you're absolutely right. We have got to make sure that we shine some light on this system, that we have the kind of reform that we are trying to get through here. And I know that there are people who are saying, Well, maybe too much is being done. I just want to take one more minute to talk about that.

It seems to me that if you want people to invest in something, you want them to understand and believe that it's not rigged before they get there. I don't know how many people—and that's basically what you're talking about—How many people are going to go into a card game believing it's rigged before they get there. They're just not going to do them, that the odds are against them big time. They're not going to do it.

This shining of the light, this transparency, would be good for the market, for Wall Street. Americans would feel comfortable and others would feel comfortable in investing in Wall Street. And therefore, in the end, in the end, we have a solid, strong Wall Street that people feel comfortable about investing their hard-earned money.

Again, I want to thank the gentlelady. I yield to the gentlelady.

Ms. SPEIER. I thank the gentleman from Maryland, who's been passionate about trying to get to the bottom of AIG. I think it's important to point out—and this may curl the hair on top of your head, my dear friend—but on top of everything else, Goldman Sachs' directors, the CEO, Mr. Blankfein, all have insurance for any omissions or conduct that they may become the subject of any inquiry for. If they commit any civil fraud or criminal fraud, they have insurance for that. You won't be surprised probably to know who their insurance is with.

Mr. CUMMINGS. Please don't tell me.

Ms. SPEIER. None other than AIG. And who owns AIG today but the American people.

Mr. CUMMINGS. The American people.

Ms. SPEIER. The U.S. taxpayers.

Mr. CUMMINGS. To the tune of \$180 billion.

Ms. SPEIER. Correct. What is even more disconcerting, and we will find that out in the upcoming weeks, just like the synthetic CDO known as Abacus, it appears that Mr. Blankfein and Goldman Sachs also sold to AIG more of the CDOs that were rigged.

Mr. CUMMINGS. Again, you make the case for why we have to have reform. We have to have reform and act with the urgency of now, because every moment that goes by, I'm afraid

there's going to be another Goldman Sachs deal. By the way, others are watching all of this in the market. And there may be others doing the same things.

Ms. SPEIER. Clearly.

Mr. CUMMINGS. So the urgency is now. We've got to act on this now. I'm hoping that that will happen. We have done our part. Then we've got to wait for our brothers and sisters on the other side to do theirs. Again, we just cannot continue to wait.

Ms. SPEIER. I thank the gentleman.

Mr. CUMMINGS. I want to thank the gentledady for yielding.

Ms. SPEIER. I now would like to invite my good friend from the State of New York, Congressman HINCHEY, to engage.

□ 1745

Mr. HINCHEY. Well, thank you very much. I want to express to you my appreciation for you engaging and initiating this discussion here. It's something that's very important; it's something that needs attention, and it certainly needs relief. As I think we all know, we are facing—involved in one of the most serious economic crises in the history of this country. We haven't had an economic downturn as serious as this one since the Great Depression, which happened in 1929 and ran through the thirties.

One of the most interesting things about the way in which this economic recession has come about and continues is the failure, in fact, in many ways, the refusal of responsible people to understand what happened back in the 1930s and the relationship between what's happening now, the kinds of circumstances that caused that Great Depression similar to the circumstances that are causing this deep recession that we are experiencing now. And it's only a recession because we have Social Security now, which went into place after the Depression in the 1930s as a means to sort of fight against that Depression, and a number of other things which were engaged in to try to deal with it effectively.

There are a lot of people who are trying to eliminate some of those effective things. In fact, we had a President recently come in and say that we should privatize Social Security. I think we could imagine what might have happened if we had privatized Social Security and how much worse this economic recession would be today if the Social Security system had been privatized, and it then certainly would have been lost.

So this is a serious issue, and it's an issue that needs financial regulatory reform; and that need for financial regulatory reform has never been more evident for us in the context of our lives and especially our experience here in this Congress. We are still feeling the effects of that meltdown, which began in 2007 and then hit hard in 2008 on Wall Street. And now, 2 years after that 2008 meltdown, we still have

record unemployment with roughly 15 million Americans currently out of work. Obviously, much needs to be done to deal with this and correct it.

Wall Street recovered rather quickly, interestingly enough, while the jobs and housing market remain on life support. It seems that Wall Street was able to recover quickly because it knew the housing bubble was on the verge of bursting and hedged their bets appropriately. And they knew that the housing bubble was on the verge of bursting because of the subprime mortgages that they manipulated into the context of investing operations. They knew what they had done, and they knew what was happening as a result of what they had done.

As we all know, the Securities and Exchange Commission recently made claims that Goldman purposefully created an investment, a collateralized debt obligation called ABACUS 2007-AC1, that was designed to fail. The SEC suspects that a Goldman Sachs employee—and probably not just one—Goldman Sachs employees purposefully misled clients into buying investments that were not only worthless but were almost guaranteed to have a devastating effect on the great economy.

I have signed my name onto two letters that are aimed at expanding the investigation of Goldman Sachs. One of those letters is to the Securities and Exchange Commission Chair Mary Schapiro and the other to Attorney General Eric Holder. Goldman Sachs deserves to be thoroughly investigated for this suspicious activity, but we need to keep in mind that they are not solely to blame.

It's not just Goldman Sachs that was responsible for this problem. Throughout the 1990s, there was unprecedented deregulation of the banking sector, which set the stage for Wall Street to run amok. Safeguards put in place in the 1930s to deal with that Great Depression were thrown out, and that is just fascinating how intentionally that was done. Safeguards put in place in the 1930s, thrown out and unraveled by both Congress and the Federal Reserve. As they let this happen, some of us tried to stop the deregulation, but we were in the minority. We should not delay in getting commonsense reforms passed that will increase consumer protections, regulate hedge funds and the derivatives market. And let us not forget to include a stronger Volcker Rule.

The Volcker Rule, interestingly enough, puts an end to an investment bank's ability to conduct proprietary trading with their bank deposits. This proposal also prevents bank holding companies from housing hedge funds or private equity branches. The overarching goal is very similar to what I tried to achieve when I submitted a Glass-Steagall amendment to the House financial regulatory reform bill.

Restoring the Glass-Steagall Act—which of course was passed back in the context of the Great Depression—would put back in place the clean division be-

tween commercial and investment banking that was first established in that Banking Act back in 1933. The original bill was put in place as a response to the Great Depression and resulted in decades of economic stability and prosperity. Throughout the 1990s, the banking lobby worked hard to undermine the Glass-Steagall Act, and it was ultimately overturned in 1999.

Ms. SPEIER. Will the gentleman yield?

Mr. HINCHEY. Yes.

Ms. SPEIER. You make the case for this great poster that shows the cracks in Wall Street. And back in 1996, the Federal Reserve reinterpreted the Glass-Steagall Act several times at the behest of Wall Street, eventually allowing bank holding companies to earn up to 25 percent of their revenues in investment banking.

But you know what? That wasn't enough for them. They then came back in 1999 and repealed the Glass-Steagall Act that worked for over 60 years in this country, brought about, as you pointed out, because of the Great Depression that created those firewalls between investment banking, commercial banks, and insurance companies.

And then in 2000, what was the next thing that happened? The next thing that happened in 2000 when Brooksley Born, who was then the Commodity Futures Trading Commission Chairman, said, We should regulate derivatives, and our friends in the White House and around basically said, Oh, no. We can't. We passed a law that basically prevented Congress from regulating derivatives. Those derivatives are the things we're talking about today, these credit default swaps that brought AIG down; these collateralized debt obligations, synthetic or otherwise, that brought the entire financial services industry down.

And as you can see, the other cracks, the regulation that was created in 2004 that took away the leverage cap of 12 to 1, and as a result, where were they leveraged at but at 30 to 1, the Lehman Brothers, the Goldman Sachs of the world.

And then again in 2005, a very interesting rule that basically exempted stockbrokers from the Investment Advisers Act. Do you know why? Because they didn't want to have a fiduciary duty to their clients. They only wanted to have a duty to themselves.

Mr. HINCHEY. That is exactly right, and I very much appreciate you putting that form up there, Cracks in Wall Street. It's a very interesting presentation and a very accurate presentation of the set of circumstances that were put into play over that period of time beginning in 1996 with this Congress here trying to manipulate the situation.

I remember how many of us fought against those things. We fought against them. We voted against them. And, of course, we voted against that elimination of that Glass-Steagall Act because we understood very clearly

that the elimination of investments, by allowing investment banks to work closely together with commercial banks and take issues like mortgages and manipulate the mortgages into subprime mortgages, and sell mortgages to people who were not able to afford them, and to continue to manipulate that mortgage system and to include that mortgage system into large investment packages, and those large investment packages which were weak and really didn't deserve nearly the kind of attention or the funding that they received were successful based upon—largely based upon, at least, the fact that they had mortgages within them. And people had the idea that, Well, mortgages are secure. Anyone who has a mortgage is going to pay that mortgage off. Hardly anybody misses their mortgage payment.

And it was the intentional manipulation of the mortgages in those investments which led to, to a great extent, the collapse of this economy and the collapse that we're experiencing now and all of the difficult circumstances we have to deal with.

Now, a lot of these things need to be addressed. Some of them have been addressed in the context of legislation that we have passed. The Senate is now struggling with that legislation, trying to pass something similar to it so that we could agree on something that is going to begin to modify this dire situation that we're dealing with. But the fact of the matter is there is more that we're going to have to do, not just the situations that are pending right at this moment. Even though they are critically important and they need to be dealt with and completed, there is more that needs to be done. And what needs to be done, including other things, is the prevention in the future of the manipulation of mortgages and the other kind of investment manipulation that took place in the context of this molding together of commercial and investment banking.

We need honest banking in this country. We have had it for most of the time, and most of the bankers in this country are honest and strong and safe and secure and working in the best interests of the people in their community. But there are exceptions to that, and those exceptions can be deep and dire, and we've seen the results of it in the context of this economic situation that we are dealing with now. It needs to be corrected, and I deeply appreciate you for bringing this subject up in this way and for bringing attention to the issues that you have presented in the context there next to you.

So thank you very much. It's a great pleasure to be with you in this context, and I sure hope that the opponents of this bill in the Senate are going to get the kind of pressure that they need from sensible places and sensible people, conscientious people, to make sure that they stop blocking it. We need to get these things passed.

Ms. SPEIER. I thank the gentleman from New York for his well-placed

comments and his recommendations to our colleagues in the other House.

I now have the great pleasure of joining in colloquy with my good friend from the State of Ohio, the great and passionate MARCY KAPTUR.

Ms. KAPTUR. I thank you very much, Congresswoman JACKIE SPEIER, for spearheading this effort this evening and for the incredible work that you do for this House and for our country and for your superior knowledge of the financial markets and the banking industry. America really needs you now more than ever, and I thank your constituents for electing you here. You are the right person at the right time and the right place, that's for sure.

Ms. SPEIER. I thank the gentlelady.

Ms. KAPTUR. It's a pleasure to join you tonight to place information on the RECORD related to Goldman's behavior as well as other institutions that have caused our country so much harm. And as others have mentioned, on April 16, the Securities and Exchange Commission announced that it was filing a civil lawsuit at long last against the big speculator Goldman Sachs, accusing it of committing fraud, but it was a civil filing.

We know that what happened on Wall Street in the financial markets, the commodities markets, and in the housing markets led to enormous financial turmoil in our country and, ultimately, this great economic crisis that we are facing. And the American people want answers. They want to know who did what, and they ultimately want justice.

A few days after that filing, over five dozen of our colleagues signed on to a bipartisan letter sent to the Attorney General on April 23, and our letter called upon the Attorney General to begin a criminal investigation and prosecution.

One of our concerns continues to be that if, in fact, a civil case is filed by the SEC, could it be possible down the road that some of that evidence could be inadmissible in the event there is a criminal proceeding. So we urged Attorney General Holder to proceed quickly, and today we delivered—in addition to that letter—signatures from over 140,000 Americans who have been signing up on an e-petition to the Attorney General urging the same.

We thank the organizations Progressive Change Campaign Committee and MoveOn.org for alerting citizens across this country that they don't have to be neutral in this fight. They can let their views be known to the Attorney General of our country about the importance of criminal proceedings.

What makes that so important is the fact that the Attorney General's office in the Department of Justice has been understaffed throughout the last 10 years, unable to do the type of financial crimes investigations that are necessary. Back in the savings and loan crisis at the end of the 1990s and early 2000s—or I should say at the end of 1989

up until the early 1990s—we had over 1,000 investigators in financial fraud at this Department of Justice. After 9/11, that was reduced to about 75; and, therefore, we were totally unequipped at the Justice Department to deal with a lot of the wrongdoing that was proceeding through those years and those decades.

□ 1800

I have a bill, H.R. 3995, to close that gap and increase the number of investigators. Quite frankly, I have a deep concern about some of the self-serving individuals that may have been representing private interests rather than the public interest as they were conducting their business through Goldman Sachs and other firms.

I would like to place on the record, for example, the following: Joshua Bolten, who was President Bush's chief of staff in the White House at the time that the markets melted down, had actually been the person who ran Goldman Sachs' London office, and yet then he came to be President Bush's chief budget officer and then went to be chief of staff at the White House at the key moment when decisions had to be made about how to handle the financial markets.

In the current administration, it is no secret that the chief of staff to the current Secretary of the Treasury, Mark Patterson, had come directly from Goldman Sachs as its top lobbyist. In addition, Neel Kashkari from Goldman Sachs had gone to handle the TARP. I think this goes far beyond party, this has to do with America and standing up as patriots for this country and asking the question: Isn't that too much insider dealing? How do you know that they are really representing their client's interest or the public interest when they are personally involved both on the private side and then on the public side like a very fast revolving door?

I will also place on the Record tonight the fact that since the crisis started the six institutions in addition to Goldman Sachs, that includes Citibank and Wells Fargo, HSBC, Morgan Stanley, all these big banks now control two-thirds of the deposits and GDP of this country. Six institutions. They are raiding equity out of our local communities. They are just simply too powerful and they are too irresponsible. They are not doing loan workouts in places I come from. I thank the gentlelady for calling into question their business principles as you so ably put on the floor here as to who their interests really are.

That is my bottom line question: Who do these people represent? They seem to be getting bonuses at extraordinary levels, in the millions of dollars. When people in my district have fallen off unemployment benefits, these companies like JPMorgan Chase do not return phone calls to do loan workouts. Wells Fargo, they are totally irresponsible. They have too much power and

they are thumbing their nose at the American people at a time when our people are just hanging on.

I want to thank the gentlelady for holding this Special Order this evening and for giving us a chance to place on the RECORD the letter that we sent to the attorney general asking for criminal proceedings, and also the names of the Members of Congress who have signed on this letter. I urge other colleagues who wish to join us to please give us a call. I thank you for allowing me to place this information into the RECORD.

CONGRESS OF THE UNITED STATES,  
Washington, DC, April 23, 2010.

Hon. ERIC HOLDER

*U.S. Attorney General, U.S. Department of Justice, Washington, DC.*

DEAR ATTORNEY GENERAL HOLDER: The U.S. Securities and Exchange Commission (SEC) announced on Friday, April 16, 2010, that it had filed a securities fraud action against the Wall Street company Goldman Sachs & Co (GS& Co.) and one of its employees for making materially misleading statements and omissions in connection with a synthetic collateralized debt obligation ("CDO") that GS & Co. structured and marketed to investors. The SEC alleges that:

1. This synthetic CDO, ABACUS 2007-AC1, was tied to the performance of sub-prime residential mortgage-backed securities ("RMBS") and was structured and marketed by GS & Co. in early 2007 when the United States housing market and related securities were beginning to show signs of distress. Synthetic CDOs like ABACUS 2007-AC1 contributed to the recent financial crisis by magnifying losses associated with the downturn in the United States housing market.

2. GS & Co. marketing materials for ABACUS 2007-AC1—including the term sheet, flip book and offering memorandum for the CDO—all represented that the reference portfolio of RMBS underlying the CDO was selected by ACA Management with experience analyzing credit risk in RMBS. Undisclosed in the marketing materials and unbeknownst to investors, a large hedge fund, Paulson & Co. Inc. ("Paulson"), with economic interests directly adverse to investors in the ABACUS 2007-AC1 CDO, played a significant role in the portfolio selection process. After participating in the selection of the reference portfolio, Paulson effectively shorted the RMBS portfolio it helped select by entering into credit default swaps ("CDS") with GS & Co. to buy protection on specific layers of the ABACUS 2007-AC1 capital structure.

3. In sum, GS & Co. arranged a transaction at Paulson's request in which Paulson heavily influenced the selection of the portfolio to suit its economic interests, but failed to disclose to investors, as part of the description of the portfolio selection process contained in the marketing materials used to promote the transaction, Paulson's role in the portfolio selection process or its adverse economic interests.

As the SEC notes, financial manipulations such as this contributed to the near collapse of the U.S. financial system and cost American taxpayers hundreds of billions of dollars. On the face of the SEC filing, criminal fraud on a historic scale seems to have occurred in this instance. As an ever growing mountain of evidence reveals, this case is neither unique nor isolated.

If both global and domestic confidence in the integrity of the U.S. financial system is to be regained, there must be confidence that criminal acts will be vigorously pursued and perpetrators punished.

While the SEC lacks the authority to act beyond civil actions, the U.S. Department of Justice (DOJ) has the power to file criminal actions against those who commit financial fraud. We ask assurance from you that the U.S. Department of Justice is closely looking at this case and similar cases to further investigate and prosecute the criminals involved in this, and other financially fraudulent acts. Furthermore, if the DOJ is not currently looking into this particular case, we respectfully ask you to ensure that the U.S. Department of Justice immediately open a case on this matter and investigate it with the full authority and power that your agency holds. The American people both demand and deserve justice in the matter of Wall Street banks whom the American taxpayers bailed out, only to see unemployment and housing foreclosures rise.

This matter is of deep importance to us. As you may know, H.R. 3995, the Financial Crisis of 2008 Criminal Investigation and Prosecution Act, has been introduced, which authorizes you to hire more prosecutors, Director Mueller of the Federal Bureau of Investigation to hire 1,000 more agent as well as additional forensic experts, and Chair Mary Schapiro of the U.S. Securities and Exchange Commission to hire more investigators to continue to pursue justice and route out the criminals in our financial system. Part of financial regulatory reform should include removing the criminals and crafting a system that supports those who follow the law.

We in Congress stand ready to support you in protecting the American taxpayers from financial crimes such as the fraud that the U.S. Securities and Exchange Commission has charged Goldman Sachs with committing. We ask that you take up this case, and others, to pursue justice for the American people, to put criminals in jail, and seek to restore the integrity of our nation's financial system.

Sincerely,

Marcy Kaptur, John Conyers, Michael Burgess, Jim McDermott, Diane E. Watson, Christopher P. Carney, Raúl Grijalva, Keith Ellison, Charlie Melancon, Tom Perriello, Betty Sutton, Jay Inslee, Pete Stark, Michael Honda, John T. Salazar, Niki Tsongas, Alan Grayson, David Loebsack, Bob Filner, Betsy Markey, John Barrow, Jesse Jackson Jr., Eleanor Holmes Norton, Grace F. Napolitano, Maurice Hinchey, Peter Welch, Marcia L. Fudge, Rush Holt, Peter DeFazio, Michael E. Capuano, Bill Pascrell, Jr., Michael H. Michaud, Steve Cohen, Bruce L. Braley, Bart Stupak, Mark Schauer, Chellie Pingree, Martin Heinrich, Jackie Speier, Janice D. Schakowsky, Sheila Jackson Lee, Tammy Baldwin, Barbara Lee, Mike Doyle, Gene Taylor, Wm. Lacy Clay, Jr., James Moran, Danny K. Davis, Ben Chandler, Dennis Kucinich, Carol Shea-Porter, Bennie G. Thompson, Laura Richardson, Loretta Sanchez, Dale Kildee, Leonard L. Boswell, Donna F. Edwards, Frank Pallone, Jr., Ann Kirkpatrick, Carolyn C. Kilpatrick, Mazie Hirono, James P. McGovern.

Ms. SPEIER. I thank the gentlelady from Ohio. You referenced the number of people in the Department of Justice that are tasked with doing the investigations. It was very interesting this week when we had the hearing on Lehman Brothers and Mary Schapiro spoke to their ability to do their job when they only had 24 staff members in that specific division to do investigations of all of the Wall Street firms.

If you ill-equip your very agencies to do the job, they won't be able to do the job. Between 2003 and 2007 under the Bush administration with Christopher Cox as the head of the SEC, you will not be surprised to know that there was an 80 percent reduction in enforcement actions at the SEC and 60 percent reduction in disgorgement actions at the SEC.

So no surprise that we had an SEC that was ill-equipped, and also a different perspective. It was not there to protect the American people but to allow business to flourish. And the business that flourished was much like what Goldman Sachs was doing where they actually put AIG in some of these synthetic collateralized debt obligations that they knew were going to fail.

Lehman Brothers, Goldman Sachs shorted Lehman Brothers and helped make sure it did come down. It was reportedly in many of the e-mails at Goldman Sachs by employees when they were communicating with some of their clients that they said that they were no longer going to support or back up Bear Stearns, and then all of a sudden Bear Stearns went down.

We now have China suing Goldman Sachs over bad derivative deals. We have Germany, France, and the U.K.; and God knows, what did they do with Greece? Much like Enron, Goldman Sachs went to Greece and created a way by which they could take some of their debts off their balance sheet so they could get support from the EU, and in the course of doing so, hid much of the debt. And now we all know what has happened to Greece. We all know what has happened to the stock market just yesterday as a result of the rating agencies taking the steps they did.

This company has no shame. This company is willing to do any deal as long as it makes them money.

Ms. KAPTUR. Do you happen to know what the bonuses were for Goldman Sachs? I know they totaled into the billions.

Mr. DEFAZIO. Last year it was rather modest for Mr. Blankfein, he only got a \$9 million bonus which was considerably less than previous, but that does figure out to \$1,000 an hour, 24 hours a day, 7 days a week, 365 days a year. Most Americans would be happy to have that salary for a fraction of a week.

Ms. KAPTUR. I think he thought it was too little, didn't he?

Mr. DEFAZIO. Well, compared to the enormous wealth that he created by shorting and manipulating and synthesizing. You know, the one thing I would reflect on, I was a little puzzled yesterday when I kept hearing him say, We are the market makers. We are the market makers.

After awhile I started thinking about book makers, market makers, is there a difference. What is the difference when they are not dealing in reality or productive investment, they are dealing in manipulated investments, products that are designed to fail. I mean,



we have too-big-to-fail institutions that create products that are designed to fail, and they profit immensely by doing that. What's that about market making?

Ms. SPEIER. The hardest thing to try to explain to the American people is what is a synthetic CDO and liken it to what goes on in our lives. So I have been scratching my head trying to think of what it would be like. This may not be a good analogy, but I offer it up. It would be like a doctor going in and doing open heart surgery knowing that his patient was very close to death anyway, and then taking out a life insurance policy on that patient because he was clearly going to win each way.

Ms. KAPTUR. Excellent analogy. They created rules by which only they could win, and that doesn't seem to me to be the spirit of free enterprise. They created so much collateral damage it brought down the economy of the whole country. They keep using the argument if we didn't have the TARP, then things would have really gone wrong. I thought, How could it be worse? How could it be worse than this? Is what they did with the TARP just bailing themselves out, because they certainly have not done anything for the American people. They have thrown all of the bills of all of their mistakes on Fannie Mae, Freddie Mac, FHA, all of the instrumentalities of the United States for decades to come. They didn't take any losses on those themselves. They were enriched by the taxpayers of the United States who lifted them right up. And they are not dealing with the damage across this country where foreclosures continue to go up.

I place on the Record the names of the six companies that now hold two-thirds of the wealth of this Nation, and they are Goldman Sachs, Morgan Stanley, JPMorgan Chase, Citigroup, Bank of America, and Wells Fargo. They have enriched themselves handsomely. They doubled their importance since the beginning of this crisis while quashing community banks across this country, seeing forced mergers as institutions like PNC bought up National Citibank in Ohio, as local community banks that didn't do anything wrong and were not permitted to do this kind of wild-eyed business deal, found themselves having to pay huge FDIC fees. And the net yield of all of this is the big ones got bigger and the American people are continuing to be kicked out of their homes and these institutions won't return phone calls and they have hold of the auction process and their investment intermediaries are holding the equity and the ownership in these properties. How is that good for this country?

Ms. SPEIER. I thank the gentlelady from Ohio. It is very important to make the point that Goldman Sachs has never loaned a dime, has never offered a loan to an American trying to buy a house. They have never been a

commercial bank as we know them, and yet they have the luxury of being at the discount window getting the money cheap even though they have not been a commercial bank as we know a commercial bank to be. All they have done is bet on how to rig these various mortgage-backed securities and make a truckload of money off them.

Ms. KAPTUR. What amazed me is when all of the house of cards started to fall, sometimes in my part of the country you see chipmunks tearing across the concrete, and they go so fast. The minute they got in trouble, what did they do, they came under the umbrella of the Bank Holding Company Act so they could not be a speculator any more, now they are a legitimate bank; right? Even though they were trafficking in all of those securities, they were just like those little chipmunks. They hid themselves right under the Bank Holding Company Act. I don't agree with what was done, but they took good care of themselves.

Ms. SPEIER. I now yield time to my good friend, the gentleman from Rhode Island (Mr. LANGEVIN).

Mr. LANGEVIN. I thank the gentlelady for yielding, and I want to echo the concerns and the words of my colleagues who have spoken on this issue of financial reform and the outrageous financial business practices that have been taking place on Wall Street.

I am angry, as you are, and I certainly want to take the opportunity to express my strong support for the work being done to crack down on Wall Street and enact reform to prevent another near-economic collapse from endangering our financial system and American families.

I was certainly proud to vote for the Wall Street Reform and Consumer Protection Act this past December, and I look forward to voting for its final passage into law this year.

In my home State of Rhode Island, we are still feeling the repercussions of the Great Recession. With an unemployment rate of 12.6 percent, we are tied for the third highest unemployment rate in the Nation. And I'm angry that while Wall Street banks were propped up with taxpayer funds last year, our small businesses on Main Street are struggling to keep their doors open. American families are struggling to keep their homes, and they are still asking where is their assistance because it hasn't been enough.

Over the past few years, I, like many Rhode Islanders, have been angered by the greed exhibited by Wall Street and other companies that took advantage of their investors, preyed on our constituents, and rewarded executives with outrageous pay packages. This week, we heard Goldman Sachs executives testify before the Senate that they are not to blame for the bad investment deals that were based on the mortgage market and added to its collapse.

This testimony is a slap in the face to hardworking Americans, small busi-

ness owners and everyone else who played by the rules only to find themselves devastated by the economic downturn. And it should convince every Member of this body to prioritize legislation that puts consumers first and demands accountability of our regulators and financial institutions.

Sadly, Wall Street has been fighting such reform tooth and nail when in fact they should be embracing our efforts to ensure that the rules are clear, the system is transparent and the playing field is even. Once again, I urge the financial sector to join us instead of fighting us—if your practices are legitimate, you should have, nothing to fear from this legislation.

The reckless actions of Goldman Sachs and other financial institutions provide a clear illustration of why we need to place a greater importance on good corporate governance. We must create an environment in which businesses take care of—and are held accountable to—their shareholders, employees and customers. Companies should be encouraged to have sustainable environmental policies and practices, solid workplace relations and produce safe products.

That is why I plan to reintroduce the Federal Employees Responsible Investment Act, which would add a socially responsible investment option to the Thrift Savings Plan. Making an investment in companies that are committed to corporate responsibility will have a positive impact on our financial system, as well as empower individuals to reward companies that share their values.

We must do everything in our power to move our economy forward, and I urge all my colleagues, especially those in the Senate, to support legislation that ends Wall Street's gambling with our hard-earned dollars. I agree with President Obama when he said last week, "this issue is too important and the cost of inaction is too great." My constituents in Rhode Island couldn't agree more.

Ms. SPEIER. I thank the gentleman and recognize we could have spoken for 2 hours this evening, and we will continue this.

#### ECONOMIC CRISIS IN AMERICA

The SPEAKER pro tempore (Mr. BOCCIERI). Under the Speaker's announced policy of January 6, 2009, the gentleman from Iowa (Mr. KING) is recognized for 60 minutes.

Mr. KING of Iowa. Mr. Speaker, I listened with interest to the presentations made here in the previous hour, and there were a couple of visuals that I want to look at and commit some of that to memory.

I heard from Ms. KAPTUR that this is not a partisan issue, it is an economic issue and an American issue, and I agree. I have been troubled for some time not just the influence that comes out of Goldman Sachs, but the influence that comes out of Wall Street. Here is my concern and here how it was internalized.

I lived much of my life watching from a distance what was going on on Wall Street, and I believed that as those investors and those bankers sat down there and began to trade on the