<u>Opening Statement</u>

Dennis M. Kelleher
President and CEO
Better Markets, Inc.
"The Dodd-Frank Wall Street Reform and Consumer Protection Act: 2 Years Later"
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Good morning Chairman Stabenow, Ranking Member Roberts and members of the Committee. Thank you for the invitation to Better Markets to testify today.

I am the head of Better Markets, which is a nonprofit, nonpartisan organization that promotes the public interest in the domestic and global financial markets.

- It advocates for transparency, oversight, and accountability with the goal of a stronger, safer financial system that is less prone to crisis and failure, thereby eliminating or minimizing the need for more taxpayer funded bailouts.

I have detailed my background and what Better Markets does in my written testimony and it is also available on our website (www.bettermarkets.com) and I will not repeat that here. But, I would like to say that it is a privilege to return to the Senate to testify after having been a staffer for three Senators over the years.

- Most recently, until September of 2010, I served as Chief Counsel and Senior Leadership Advisor to the former Chairman of the Democratic Policy Committee, Byron Dorgan.

Let me begin by saying, while we are here today because the financial reform law was passed 2 years ago, we also need to remember <u>**why**</u> that law was necessary and <u>**what**</u> happened to our country that caused us to <u>need</u> it.

As we sit here today, tens of millions of good, hard-working Americans are suffering through the worst economy since the Great Depression of the 1930s. That is a direct result of the Wall Street-created financial collapse of 2008, which was the worst financial crisis since the Stock Market Crash of 1929.

<u>**Tonight**</u>, many of our neighbors will sit at their dinner table, look their children in the eye, and worry about their future:

- 21 million Americans today can't find full time work.
- 11 million are paying mortgages higher than the value of their homes.
- 5 million have had to move out of their homes due to foreclosures and millions more are packing up as we speak.

- The American family's net worth has plummeted almost 40% in just three years, wiping out almost two decades of hard work & prosperity.

None of this happened because of the Dodd Frank financial reform law passed just two years ago. **None** of this has happened because of rules meant to implement the financial reform law. **None** of this happened because regulators are trying to make Wall Street follow the law like everyone else in our country.

That economic disaster happened as a result of Wall Street and the financial industry being deregulated in the 1990s and virtually unregulated starting in 2000. That was after 70 years of an unprecedented degree of government regulation of Wall Street and the U.S. capital markets as a result of the Crash of '29 and the Great Depression. And, remember, during those 70 years –

- our country prospered;
- we built the largest and most broad-based middle class in the history of the world; and
- Wall Street, our financial industry, our nonfinancial businesses and our economy all thrived.

De-regulation of the only industry in the country that threatens our financial system and entire economy changed all that. That is why the Dodd-Frank financial reform law is more properly understood as **the Wall Street re-regulation law.**

As is well known, derivatives and the over-the-counter markets were at the heart of causing and spreading the financial crisis. That is why Title VII is vital not only to effective financial reform, but also to the protection of the American people, taxpayers, Treasury, our financial system and our economy. I have detailed this in my written testimony and will only mention a few points quickly here.

First, for more than 100 years the industry has complained nonstop about regulation. But, history proves again and again that these complaints are without merit, that the industry has adapted and that our country and that very industry has prospered.

Second, some critics ask why the CFTC didn't stop MF Global, Peregrine or some of the other crooks and predators from ripping off American farmers and families. But many of those same critics voted to cut funding for the only commodity cops we have: the CFTC. The responsibilities of the CFTC have increased from a market of about $40 billion notional to more than $350 billion notional. The regulators are the only Wall Street policeman we have and they've been pulled off the beat due to lack of funding. You can't be for protecting farmers and families and be against dramatically increasing funding for the CFTC.

Third, as demonstrated from Long Term Capital Management in the 1990s to the Barclays libor rate-rigging scandal of today, cross border regulation is essential to protecting the American people. Unless a foreign country really has comparable regulation – in form, substance and enforcement – the US must directly enforce its laws to protect the American people. We must never again let industry cries about “losing business” and “competition” come before protecting the American taxpayer.

Fourth, bone fide commercial end users are now finally protected under the current law and rules. They have the most to lose from those seeking to expand those rules to enable big financial players to sneak in and drive up costs of hedging for real commercial businesses.

Fifth, the Volcker Rule is an essential reform that prevents the biggest dealer banks from making huge, leveraged bets with the banks’ money. Such high risk trading – where the banks get the upside and taxpayers get the downside – played a big role in the crisis and shouldn’t be allowed at the too-big-to-fail banks. The rule can work and the complaints about market making and hedging are without merit, as spelled out in my written testimony.

Finally, the latest weapon to gut financial reform is the innocent sounding concept of “cost benefit analysis.” It seems sensible and appealing. After all, assessing and weighing the costs and benefits of taking an action appears on the surface to be reasonable. However, in the context of regulation generally and financial regulation in particular, that thinking is simply wrong, it will greatly weaken financial reform, and leave the American people unprotected again.

When you hear someone touting the benefits of cost-benefit analysis, think about the Ford Pinto calculation of the 1970s. They could correct a fatal design defect in their cars for $137 million or pay just $50 million for the claims of the 180 people killed and 180 people severely injured, “saving” $87 million. Cost benefit analysis sounds good in theory, but it’s often a disaster in reality.

All these issues are elaborated on in my written testimony and I would be happy to discuss them further in questions. Thank you.