"The Unfinished Business of Financial Reform"
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As Prepared for Delivery

Thank you all for being here today.

We're here to ask a critical question at a critical time: what are we to make of Dodd-Frank five years later? To answer that question, I think we should start by looking at how the government responded to the last major financial crisis – the Wall Street Crash of 1929.

After the 1929 crash, policymakers diagnosed what had gone wrong and changed the laws to make sure that excessive speculation and risk-taking on Wall Street couldn't push the economy over a cliff. The new rules were creative and unprecedented:

- First, a new agency – the SEC – charged with enforcing basic marketplace rules. In other words, a cop for Wall Street just like the cops for Main Street;

- Second, a targeted government safety net – FDIC insurance – to make it safe to put money in banks, creating security for depositors and stability for the banking system; and

- Third, a clear division between deposit-taking institutions and investment banks – the Glass-Steagall Act – so that banks couldn't use government-guaranteed deposits for high-risk speculation.

And for half a century, those creative new rules worked. There wasn't a single serious financial crisis. No crises *and* the financial sector did its part to help produce sustained, broad-based economic growth that benefitted millions of people across the country.

Then, in the 1980s, a new political wind swept across the country. "Deregulation" became the watchword of the day – or, to put it more bluntly, fire the cops. Not the cops on Main Street, but the cops on Wall Street. The Fed and other bank regulators looked the other way as big financial institutions found new ways to trick their customers, first through credit cards and then through mortgages, home equity lines of credit, and a raft of new financial products. The SEC was badly outgunned. Regulators were clueless as banks developed creative new trading strategies outside the old rules. Credit rating agencies signed off on the safety of pools of mortgages that were more like boxes full of grenades with the pins already pulled out. The wall between high-risk trading and boring banking was knocked down, and Glass-Steagall was eventually repealed. Washington turned a blind eye as risks were packaged and re-packaged, magnified, and then sold to unsuspecting pension funds, municipal governments, and many others who believed the markets were honest.

Not long after the cops were blindfolded and the big banks were turned loose, the worst crash since the 1930s hit the American economy – a crash that the Dallas Fed estimates has cost a collective $14 trillion.[1]

The moral of this story is simple: without basic government regulation, financial markets don't work.

That's worth repeating: without some basic rules and accountability, financial markets don't work. People get ripped off, risk-taking explodes, and the markets blow up. That's just an empirical fact – clearly observable in 1929 and again in 2008.

The point is worth repeating because, for too long, the opponents of financial reform have cast this debate as an argument between the pro-regulation camp and the pro-market camp, generally putting Democrats in the first camp and Republicans in the second. But that so-called choice gets it wrong. Rules are not the enemy of markets. Rules are a necessary ingredient for healthy markets, for markets that create competition and innovation. And rolling back the rules or firing the cops can be profoundly anti-market.

Right now the Republicans are pushing an anti-market agenda. They are trying to hamstring the CFPB by slashing its funding, reducing its jurisdiction, and restricting its enforcement authority – steps that would undermine the market by taking financial cops off the beat. With no cops, companies could out-compete one another not by creating value, but by cheating their customers.

Or look at what they did last December: When Republicans rammed through a repeal of Dodd-Frank's swaps pushout provision, they undermined the market again by handing out taxpayer subsidies to a handful of the biggest banks on the planet and giving those banks a tremendous advantage over their smaller competitors who just don't get that kind of subsidy.

Republicans claim – loudly and repeatedly – that they support competitive markets, but their approach to financial regulation is pure crony capitalism that helps the rich and the powerful protect and expand their wealth and their power – and leaves everyone else behind.

We need rules – but not all rules promote innovative and competitive markets. So what tests should we use to make sure the rules promote healthy competition and innovation? We can start with the two principles that worked so well for more than fifty years after the 1929 crash:

- First, financial institutions shouldn't be allowed to cheat people. Markets work only if people can see and understand the products they are buying, only if people can reasonably compare one product to another, only if people can't get fooled into taking on far more risk than they realize just so that some fly-by-night company can turn a quick profit and move on. That's true for families buying mortgages and for pension plans buying complex financial instruments.

[1] David Luttrell, Tyler Atkinson, and Harvey Rosenblum, *Assessing the Cost and Consequences of the 2007-09 Financial Crisis and its Aftermath* (Sept. 2013), *at* http://www.dallasfed.org/research/eclett/2013/el1307.cfm.

- Second, financial institutions shouldn't be allowed to get the taxpayers to pick up their risks. That's true for using insured deposits for high-risk trading (and the reason we had Glass-Steagall) and it's true for letting Too-Big-to-Fail banks get a wink-and-a-nod guarantee of a government bailout.

Judged against these two principles, Dodd-Frank made some real progress – and Barney Frank and Chris Dodd deserve an enormous amount of credit for their leadership. But there is more work to be done.

Consider the goal of "no more cheating people." Dodd-Frank took a powerful step toward honest markets with the establishment of the Consumer Financial Protection Bureau. Instead of a grab bag of consumer protection laws scattered among seven different agencies, none of whom had any real skill or any real interest in enforcing them, Congress created a new agency that had the tools, the expertise, and the responsibility for making sure that consumer financial markets worked fairly. This was a real, structural change.

Is it working? Yes. Mortgages have gotten clearer and easier to read. Some of the sleaziest – and most dangerous – terms have been banned. And work on credit cards, student loans, checking accounts, small-dollar loans, and other products is headed in the right direction.

The little consumer agency has been operating for just four years, but one measure of its success is that it has already forced financial services companies to return more than $5 billion directly to consumers that they cheated.[2] $5 billion for the companies that got caught – and a powerful demonstration to every other company that there's now a cop on the beat, a cop who is paying attention.

In addition, the agency has handled over half a million consumer complaints since it opened its doors – making public which banks have been naughty and which have been nice – and reports are coming in that some banks are changing their practices so they don't get called out in public for shoddy behavior.[3] That's minimal regulation – but it is making the market work.

The big banks, payday lenders, and their many Republican friends are working hard to undermine the new consumer agency, but the CFPB has continued to do what it does best – level the playing field for consumers and hold financial institutions accountable when they break the law.

The consumer agency's early results have been good for consumers and good for the economy as a whole, but there's more to be done. Right now, the auto loan market looks increasingly like the pre-crisis housing market, with good actors and bad actors mixed together. The market is now thick with loose underwriting standards, predatory and discriminatory lending practices, and

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[2] Richard Cordray, "Prepared Remarks at the National Association of Attorneys General," (Feb. 23, 2015), *at* http://www.consumerfinance.gov/newsroom/prepared-remarks-of-cfpb-director-richard-cordray-at-the-national-association-of-attorneys-general-2/.

[3] Consumer Financial Protection Bureau, *Complaints by the Numbers, at* http://files.consumerfinance.gov/f/201503_cfpb_complaints-by-the-numbers.pdf.

increasing repossessions.[4] One study estimates that these auto dealer markups cost consumers $26 billion a year.[5]

Auto dealers got a specific exemption from CFPB oversight, and it is no coincidence that auto loans are now the most troubled consumer financial product. Congress should give the CFPB the authority it needs to supervise car loans – and keep that $26 billion a year in the pockets of consumers where it belongs.

The CFPB is a tough cop on the beat, but what about the other cops? What are they doing to hold those who break the law accountable? Today, the Department of Justice doesn't take big financial institutions to trial – ever – even when financial institutions engage in blatantly criminal activity. Instead, DOJ uses what it calls deferred prosecution agreements and non-prosecution agreements, in which it asks the offending firm to pay a fine and to work with the government to come up with a plan for doing better in the future.[6] These kinds of agreements were originally created to deal with low-level, non-violent individual offenders, but they have now been transformed beyond recognition to create get-out-of-jail-free cards for the biggest corporations in the world.[7]

The SEC is even worse. The SEC rarely takes any big institutions to trial, and it also fails to use other tools in its enforcement toolbox. For example, the SEC grants the status of "Well-Known Seasoned Issuer" to certain companies that it believes are uniquely trustworthy. That status allows these companies to access the capital markets more easily. By law, the SEC is supposed to revoke this privilege if a company receives a criminal conviction or violates the anti-fraud provisions of the federal securities laws.[8] But more often than not, the SEC waives this automatic revocation,[9] and passes up yet another opportunity to meaningfully deter future misconduct.

When small banks break the law, their regulators do not hesitate to shut down the banks, toss their executives in jail, and put their employees out of work.[10] But not so for the biggest

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[4] Center for Responsible Lending, '*Reckless Driving': Implications of Recent Subprime Auto Finance Growth* (Jan. 2015), at 1, *available at* http://www.responsiblelending.org/other-consumer-loans/auto-financing/research-analysis/recklessdriving_implications_subprime_autofinance_growth.pdf.

[5] Center for Responsible Lending, *Under the Hood: Auto Loan Interest Rate Hikes Inflate Consumer Costs and Loan Losses* (Apr. 19, 2011), *at* http://www.responsiblelending.org/other-consumer-loans/auto-financing/research-analysis/Under-the-Hood-Auto-Dealer-Rate-Markups.pdf.

[6] Public Citizen, *Justice Deferred: The Use of Deferred and Non-Prosecution Agreements in the Age of "Too Big To Jail* (July 8, 2014) at http://www.citizen.org/documents/justice-deferred-too-big-to-jail-report.pdf.

[7] *Id.*; *see also* Brandon L. Garrett, "Federal Organizational Prosecution Agreements," http://lib.law.virginia.edu/Garrett/prosecution_agreements/home.suphp (last updated Apr. 3, 2015) (list of federal agreements with corporations).

[8] Division of Corporation Finance, *Revised Statement on Well-Known Seasonsed Issuer Waivers* (Apr. 24, 2014), *at* https://www.sec.gov/divisions/corpfin/guidance/wksi-waivers-interp-031214.htm.

[9] Mary Jo White, Understanding Disqualifications, Waivers, Exemptions, and Waivers Under the Federal Securities Laws (Mar. 12, 2015), *at* http://www.sec.gov/news/speech/031215-spch-cmjw.html#.VSfxY_nF-Sq (noting that the SEC has granted seven WKSI waivers and denied only four).

[10] Associated Press, "Ex-Freedom banker sentenced for role in bank's failure" (Apr. 10,2015) at http://www.kten.com/story/28773943/ex-freedom-banker-sentenced-for-role-in-banks-failure; Reuters, "U.S. Jury convicts former bank exec of securities fraud" (Mar. 25, 2015) at http://www.reuters.com/article/2015/03/25/fraud-tarp-trial-idUSL2N0WR2SI20150325

financial institutions. The DOJ and SEC sit by while the same giant financial institutions keep breaking the law – and time after time, the government just says, "please don't do it again."[11] It's time to stop recidivism in financial crimes and to end the "slap on the wrist" culture that exists at the Justice Department and the SEC.

Recently, a Justice Department official suggested that the Department would change its policy and hold firms accountable if they violate these agreements not to break the law.[12] But good grief, this is a timid step. We need to go further: No firm should be allowed to enter into a deferred prosecution or non-prosecution agreement if it is already operating under such an agreement – period. Any firm that enters one of these agreements should have to pay – as a mandatory minimum – fines at least equal to every dime of profit generated as a result of their illegal activity. And we should change the legal standards so that there is some meaningful judicial review of whether these agreements are appropriate.

Real accountability also requires big changes within our regulatory agencies. In 2013, the Fed and the OCC entered into a $9.3 billion settlement with more than a dozen mortgage servicers who had improperly foreclosed on thousands of homes across the country.[13] Congressman Cummings and I started asking some questions about this, and we stumbled onto a pretty amazing fact. The Fed's Board of Governors – the ones who were nominated by the President and confirmed by the Senate – didn't even vote on whether to accept the settlement. A record-breaking *$9.3 billion* on the table, and the settlement decision was left to the Fed's staff.[14]

The Fed needs a rule change: It should require Board votes on all major enforcement and supervisory decisions, and each member of the Board should have his or her own staff, so they can come to independent conclusions on important matters. It's past time for the Fed to make enforcement a top priority.

Let me underline why this is so powerfully important. When big financial institutions are not deterred from breaking the law – when, in fact, they have a financial *incentive* to break the law – then that's what they will do. Just look at what's come to light in the years *since* Dodd-Frank was passed:

- In 2012, the London Whale blew a $6 billion hole in JPMorgan's balance sheet – allegedly without the CEO or anyone in senior management even knowing it was there.[15]

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[11] Ben Protess and Jessica Silver-Greenberg, *Prosecutors Suspect Repeat Offenses on Wall Street*, N.Y. Times (Oct. 29, 2014), *at* http://dealbook.nytimes.com/2014/10/29/prosecutors-wrestling-with-wall-streets-repeat-offenders/?_r=0.

[12] Remarks of Assistant Attorney General Leslie Caldwell (Mar. 16, 2015), *at* http://www.justice.gov/opa/speech/assistant-attorney-general-caldwell-remarks-acams-anti-money-laundering-financial-crime.

[13] Board of Governors of the Federal Reserve System and Office of the Comptroller of the Currency, Joint Release (Feb. 28, 2013), *at* http://www.occ.gov/news-issuances/news-releases/2013/nr-ia-2013-35.html.

[14] Reuters, *Federal Reserve Board Did Not Vote on Foreclosure Pact* (June 13, 2013), *at* http://www.reuters.com/article/2013/06/13/us-financial-regulation-settlement-idUSBRE95C04K20130613.

[15] Senate Permanent Subcommittee on Investigations, *JPMorgan Chase Whale Trades* (Released in conjunction with Mar. 15, 2013 hearing), *at* http://online.wsj.com/public/resources/documents/JPMWhalePSI.pdf.

- Also in 2012, the LIBOR scandal came to light, exposing the big banks' multiyear practices of fixing exchange rates to boost their own trading profits.[16]

- That same year, HSBC was finally called out publicly for years – years – of laundering drug money.[17]

- And between 2009 and 2014, three giant banks, Credit Suisse, UBS, and Wegelin, were identified as helping people around the world hide billions of dollars from taxing authorities, spouses, and business partners – just so the banks could boost their profits a bit more.[18]

The bottom line is that the culture of cheating on Wall Street didn't stop with the 2008 crash. When cops don't do their job, cheaters prosper and honest businesses lose out. Small banks and credit unions trying to do the right thing are unfairly disadvantaged. Part One of the unfinished business of financial reform is to help markets work better by doubling down to stop the cheating – extending the jurisdiction of the consumer agency and demanding some real accountability from the cops on the beat at the SEC, the Fed, and the Justice Department.

What about the second goal – making sure that financial institutions can't push their risks off to taxpayers – that no institution is Too Big to Fail? Again, Dodd-Frank changed the landscape. It helped bring back some level of market discipline through the living wills process and the creation of orderly liquidation authority. And it reduced system-wide risk by imposing more demanding capital and leverage standards.

Those are important steps and well worth defending. But let's get real: Dodd-Frank did not end Too Big to Fail. Last summer, both the Fed and the FDIC reported publicly that eleven – eleven – of the big banks were still so risky that if any one of them started to fail, they would need a government bailout or they would risk taking down the American economy – again.[19] That's not a statistic that should make anyone sleep well tonight.

So what should we do about Too Big to Fail? End it, once and for all. Not talk about ending it – truly end it.

How? First, break up the biggest banks. There are two structural ways to do this: We can cap the size of the biggest financial institutions, as Senator Sherrod Brown and former Senator Ted Kaufman proposed during the Dodd-Frank debates. And we can adopt a 21st century Glass-

[16] Jean Eaglesham, *Bank Made Huge Bet, and Profit, on LIBOR*, Wall Street Journal (Jan. 10, 2013), *at* http://www.wsj.com/articles/SB10001424127887324442304578231721272636626.
[17] Ben Protess and Jessica Silver-Greenberg, *HSBC to Pay $1.92 Billion to Settle Charges of Money Laundering*, N.Y. Times (Dec. 10, 2012), *at* http://dealbook.nytimes.com/2012/12/10/hsbc-said-to-near-1-9-billion-settlement-over-money-laundering/?ref=business..
[18] Halah Touryalai, *Not All DOJ Punishments Are Created Equal*, Forbes (May 7, 2014), *at* http://www.forbes.com/sites/halahtouryalai/2014/05/07/not-all-doj-punishments-are-created-equal-just-ask-credit-suisse-and-ubs/.
[19] Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, Joint Release, *Agencies Provide Feedback on Second Round Resolution Plans of "First-Wave" Filers* (Aug. 5, 2014), *at* http://www.federalreserve.gov/newsevents/press/bcreg/20140805a.htm.

Steagall Act that rebuilds the wall between commercial banking and investment banking. I've worked with Senators McCain, King, and Cantwell to advance just such a bill. If banks want access to government-provided deposit insurance, they should be limited to boring banking. If banks want to engage in high-risk trading, they can go for it – but they can't get access to insured deposits and put the taxpayer on the hook for some of that risk. It's that simple.

Second, Congress must carefully limit the Fed's ability to provide emergency lending to a giant bank that gets into trouble. A report from right here at the Levy Institute shows that, in the 2008 crisis, the Fed provided trillions of dollars in low-cost loans to a handful of Too Big to Fail banks.[20] The prospect of receiving low-cost loans from the Fed completely undermines market discipline – big banks are free to take big risks, knowing full well that the Fed will be there to bail them out if things go south. The Fed's proposed rule on emergency lending was so weak that it might as well not exist. Congress should step in to make clear that the Fed isn't the personal piggy bank for biggest financial institutions.

Why use a structural approach – break up the banks and limit emergency lending – rather than just relying on a more technocratic approach that just layers on more rules to limit risk-taking? Think about the interplay between risk and regulation. When eleven banks are big enough to threaten to bring down the whole economy, heavy layers of regulations are needed to oversee them. But when those banks are broken up and forced to bear the consequences of the risks they take on – when the banking portion of their business model is easy to see and far easier to evaluate for both regulators *and* investors – regulatory oversight can be lighter and clearer as well.

Too much reliance on a technocratic approach also plays right into the hands of the big banks. Regulatory solutions that pit the government against giant banks too often get diluted over time with loopholes, carveouts, and rollbacks, each of which favor a few well-connected firms over everyone else. The big banks can always throw more lawyers at a problem than the government can, and the financial incentives for the megabanks are so strong that even the most diligent and well-meaning regulators struggle to keep pace.

And a technocratic, rather than structural, approach often causes a bad side effect: it raises the regulatory burden for community banks and credit unions, and distracts regulators from supervising the banks that can really threaten the system.

What's needed are *smarter* and *simpler* regulations, the kind of regulations that give smaller institutions a fighting chance to meet their compliance obligations without going bankrupt. The goal is to make markets more competitive, and that means a simple, structural solution: break up the biggest banks so that *no* bank is too big to fail. That would let us cut the tangle of the regulations that are intended to stop a Too Big to Fail bank from taking on too much risk and bringing down the economy.

Holding cheaters accountable and cutting the banks down to size are critical. But those steps can only do so much when they are at odds with basic tax laws that encourage the very kinds of

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[20] James Felkerson, *$29,000,000,000,000: A Detailed Look at the Fed's Bailout by Funding Facility and Recipient* (Dec. 2011), at 32 (Tbl. 16), *available at* http://www.levyinstitute.org/pubs/wp_698.pdf.

excessive risk-taking and cutting corners that we want to eliminate. Reforming our tax laws is also part of the unfinished business of financial reform.

For example, Dodd-Frank recognized that CEO pay should be aligned with the long-term interests of the stability of the corporation and, eventually, the economy. To accomplish this, Dodd-Frank relied on new rules for corporate disclosures, transparency, and incentives.[21] Five years later, the SEC still can't seem to figure out how to write those rules.

The SEC needs to get its act together – in all sorts of ways, and on all sorts of issues ranging from credit rating agencies to corporate political contributions – but we can't sit on our hands on this issue any longer. Congress should change the tax code so that executive compensation is aligned with the long-term health of these companies and the economy. Currently, corporations are taxed for any executive compensation over $1 million, unless that compensation is in the form of a performance-based bonus.[22] This tax incentive has encouraged financial firms to compensate executives with massive bonuses – bonuses that too often reward short-term risk-taking instead of sustained, long-term growth.[23] We can close that loophole and stop pushing companies to reward short-term thinking. And we can put in place strong, enforceable securities rules that don't create incentives for CEOs to use stock buy-backs as a way to manipulate prices in the short-term, rather than investing in the long-term health of their companies.[24]

Another glaring problem in our tax code is its massive bias in favor of debt financing over equity financing.[25] Financial firms can write off every dollar of interest they pay on their debts, but financing themselves through equity requires them to pay taxes on dividends. The natural result – particularly for Too Big to Fail firms that can borrow huge sums of money at low rates – is to borrow, borrow, borrow.[26] After the crisis, there was near-universal agreement that big banks needed to be more capitalized and less leveraged – but our tax code pushes these banks in the exact opposite direction.

The amount of interest a financial firm can deduct annually should be based on the relative amount of capital that firm holds – and the risk it poses. If, for example, a firm is well-capitalized, it should be able to deduct its interest without limitation. But if it is not well-capitalized, it should either have to raise more capital, reduce its debt levels, or pay additional taxes to compensate taxpayers for the risk it introduces into the financial system.

We also need to think broadly about the way volatility threatens the economy. High-frequency traders, for example, introduce greater instability into our financial markets through arbitraging

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[21] SEC, "Corporate Governance Issues," (last modified Feb 2, 2015), *at* https://www.sec.gov/spotlight/dodd-frank/corporategovernance.shtml.
[22] For a summary of I.R.C. 162(m), *see* http://www.epi.org/publication/taxes-executive-compensation/
[23] Alex Edmans, Vivian W. Fang, and Katharina Lewellen, "Equity Vesting and Managerial Myopia," Oct 9, 2014. ECGI - Finance Working Paper No. 379/2013. *available at* http://ssrn.com/abstract=2270027.
[24] *See* William Lazonick, *Harvard Business Review, at* https://hbr.org/2014/09/profits-without-prosperity/ar/1 (discussing rapid growth in stock buybacks in conjunction with the rise in executive pay tied to stock price).
[25] I.R.C. section 163(a) allows deductions for interest expenses. I.R.C. section 311(a) disallows deductions for dividends.
[26] Joint Report of the White House and Treasury Department, 2012, at 5, *at* http://www.treasury.gov/resource-center/tax-policy/Documents/The-Presidents-Framework-for-Business-Tax-Reform-02-22-2012.pdf

gimmicks that add no value to the economy.[27] We can address this problem by instituting a targeted financial transactions tax designed to have no impact on regular mom-and-pop investors. Such a tax would push sophisticated trading firms to invest in companies for the long haul and strengthen our markets.[28]

And there's one last thing that should be on the reform list: Tackle the shadow-banking sector. Shadow banking was a significant part of the crash in 2008, creating runs and panics in short-term debt markets that spread the contagion across the financial system.[29] The financial sector's short-term debts function much like bank deposits – they can disappear tomorrow, which means that using those deposits for longer-term investments or loans involves substantial risks. But unlike bank deposits, which are on balance sheets that are carefully scrutinized by banking regulators for safety and soundness, short-term debt for shadow banks are outside the basic regulatory framework. Despite the central role of shadow banking in the financial crisis, Dodd-Frank did little to address the problem. We need to tackle this issue, and we need to do it before the next Bear Stearns or Lehman Brothers starts a chain reaction that takes down the financial system.

Together, changes like these can make a real difference. They can help protect hard-working families from cheats and liars. They can help rein in the lawless practices that are still too common on Wall Street. They can end Too Big to Fail. But most of all, these changes will make our financial markets stronger, more competitive, and more innovative. The secret to better markets isn't turning loose the biggest banks to do whatever they want. The secret is smarter, more structural regulation that forces everyone to play by the same rules and doesn't let anyone put the entire economy at risk.

This is an economic fight, but this is also a political fight. The biggest financial institutions aren't just big – they wield enormous political power. Last December, Citibank lobbyists wrote an amendment to Dodd-Frank and persuaded their friends in Washington to attach it to a bill that had to pass or the government would have been shut down. And when there was pushback over the amendment, the CEO of JPMorgan, Jamie Dimon, personally got on the phone with Members of Congress to secure their votes. How many individuals who are looking for a mortgage or a credit card could make that call? How many small banks could have their lobbyists write an amendment and threaten to shut down the US government if they didn't get it? None. Keep in mind that the big banks aren't trying to make the market more competitive; they just want rules that create more advantages for themselves. The system is rigged and those who rigged it want to keep it that way.

When that other Roosevelt – Teddy Roosevelt – broke up the monopolies, he did it in large part because those giant companies threatened our democracy. Big corporations, Roosevelt said,

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[27] Congressional Research Service, "High-Frequency Trading," June 19, 2014, at 18, *at* http://fas.org/sgp/crs/misc/R43608.pdf

[28] Thornton Matheson, "Taxing Financial Transactions: Issues and Evidence," IMF Working Paper No. 11/54 (Washington: International Monetary Fund), at 38.

[29] International Monetary Fund, *Global Financial Stability Report.* Oct. 2014, at 66, *at* https://www.imf.org/external/pubs/ft/gfsr/2014/02/pdf/c2.pdf; Timothy Geithner, "Reducing Systemic Risk in a Dynamic Financial System," June 9, 2008, *at* http://www.newyorkfed.org/newsevents/speeches/2008/tfg080609.html.

should not have the power "to interfere in politics in order to secure privileges to which [they are] not entitled."[30] Our economy suffers when those who can hire armies of lobbyists and make huge political contributions can decide what the financial cops can and cannot do. Our democracy suffers when Congress puts the interests of a handful of giant banks ahead of the needs of 320 million American citizens. If the big banks keep calling the shots, they will own both our economy and our democracy.

We know what changes we need to make financial markets work better. Strengthen the rules to prevent cheating. Make the cops do their jobs. Cut the banks down to size. Change the tax code to promote more long-term investment. Tackle shadow-banking. The key steps aren't hard. It just takes political courage and a strong demand from the public to complete the unfinished business of financial reform.

Thank you.

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[30] Theodore Roosevelt, THE NEW NATIONALISM (The Outlook Co., 1910), at 167.