Elizabeth Warren
Speech at the "Managing the Economy" Conference
Remarks as Prepared for Delivery
December 9, 2014

Thank you Lisa for that kind introduction, and thank you for the invitation to join you.

Today's event focuses on how the Federal Reserve can use its monetary tools to promote economic growth and its regulatory and supervisory tools to rein in risk in our financial system. The Fed has always had dual responsibilities – monetary policy and regulatory and supervisory policy – but in the wake of the 2008 financial crisis, Congress gave the Fed even more regulatory and supervisory authority than it had before. The new Chair of the Fed, Janet Yellen, recently acknowledged that the Board's supervisory responsibilities are "just as important" as its better-known obligation to set interest rates and conduct monetary policy, and I think the lapses that led to the 2008 crisis drove that point home with searing intensity.[i]

The Fed is now our first line of defense against another crisis. We have made progress through the Dodd-Frank Act, but the risk of another crisis remains unacceptably high. Take just one example. This summer, the Fed and the FDIC determined that eleven of the country's biggest banks had no credible plan for being resolved in bankruptcy.[ii] That means that if any one of them takes on too much risk and starts to fail, the taxpayers would have to bail it out to prevent another crash. We're all relying on the Fed to stop that from happening – which means that we're all relying on the Fed to get tough regulating the biggest banks.

The question is whether the bank regulators can do the job they need to do.

And that raises an issue about the influence of Wall Street on financial regulation and economic policy. It's an issue that affects not only the Fed, but also the other banking regulators, the Treasury Department, and our government's entire economic policymaking structure. Here are some facts.

Fact One: Wall Street spends a lot of time and money influencing Congress. Public Citizen and the Center for Responsive Politics found that in the run-up to Dodd-Frank, the financial services sector employed 1,447 former federal employees to carry out their lobbying efforts -- including *73* former Members of Congress.[iii] And according to a report by the Institute for America's Future, by 2010, the six biggest banks and their trade associations employed 243 lobbyists who once worked in the federal government, including 33 who had worked as chiefs of staff for members of Congress and 54 who had worked as staffers for the banking oversight committees in the Senate and the House. That's a lot of former government employees pounding on Congress to make sure the big banks get heard. No surprise that the financial industry spent more than $1 million a day lobbying Congress on financial reform, and a lot of that money went to former elected officials and government employees.[iv]

Fact Two: Wall Street dedicates enormous amounts of time and money to influencing regulatory agencies. The Sunlight Foundation, a non-partisan, non-profit organization, took a look at all of the meeting logs from 2010 to 2012 of the Treasury Department, the CFTC, and the Fed. It found that those agencies reported meeting with one of 20 big banks or banking associations a combined 12.5 times per week – about five times as often as all reform-oriented groups **combined**. That works out to nearly 1300 meetings over two years. Goldman and JP Morgan each met with those agencies at least 175 times – or nearly twice per week, every week, on average.[v] And keep in mind, that's the count at only three of the major federal regulators.

Fact Three: Democratic administrations have filled an enormous number of senior economic policymaking positions with people who have close ties to Wall Street. Starting with Robert Rubin – a former Citigroup CEO – three of the last four Treasury secretaries under Democratic presidents have had Citigroup affiliations before or after their Treasury service.[vi] The fourth was offered, but declined, Citigroup's CEO position.[vii] The new Vice Chairman of the Federal Reserve, Stanley Fischer, was a Citigroup executive.[viii] Directors of the National Economic Council[ix] and Office of Management and Budget,[x] our current U.S. trade representative,[xi] and senior officials at the Treasury Department[xii] also have had Citigroup ties.

And that's the record just for one, single big bank. Many other senior officials in recent Administrations have had ties to Goldman,[xiii] JP Morgan,[xiv] Bank of America,[xv] Morgan Stanley,[xvi] or other major Wall Street firms.[xvii] Still more officials – including two recent appointees to the Commodity Futures Trading Commission – were lawyers who spent huge portions of their careers representing Wall Street institutions.[xviii]

This is the revolving door at its most dangerous. In virtually every economic policy discussion held in Washington, the point of view of the Wall Street banks is well represented – so well represented, in fact, that it often crowds out any other point of view.

And that's the context for thinking about the nomination of Antonio Weiss. He's spent the past twenty years at the investment bank Lazard, and he's just been named to be Under Secretary for Domestic Finance at the Treasury Department. He has focused on international corporate mergers and companies buying and selling each other.[xix] It may be interesting, challenging work, but it does not sufficiently qualify him to oversee consumer protection and domestic regulatory functions at the Treasury that are a critical part of the job. In addition to his lack of basic qualifications, Mr. Weiss was part of the Burger King inversion deal that moved the U.S. company to Canada as part of a merger that would cut down on its tax obligations. Also note that Mr. Weiss's friends at Lazard are giving him a golden parachute valued at about $20 million as he goes into government service.[xx] For me, this is one spin of the revolving door too many. Enough is enough.

The response to these concerns has been, well, let's just say, loud.

First, his supporters say, "Come on - he's a smart investment banker, so *of course* he is be qualified to oversee all the complicated financial work done day in and day out at Treasury." But his defenders haven't shown that his actual experience prepares him for this job at Treasury. Professor Adam Levitin, a law professor who teaches financial regulation at Georgetown, wrote a really good piece about this last week. He looked at each of the functions of the undersecretary position and, as he put it, "almost none of that relates to the work of an investment banker doing international M&A."[xxi] Professor Simon Johnson, the former Chief Economist for the IMF who now teaches at MIT, agrees. He noted last week that this position is "the third most senior official in the executive branch with regard to fiscal decision-making" and that "[i]t's hard to think of any senior fiscal official from a serious country with qualifications as weak as those of Mr. Weiss."[xxii] End Quote.

Professor Levitin and Professor Johnson are right. I worked at Treasury, and I know how critical this position is to financial regulation issues.[xxiii] Despite what some of Weiss's supporters have said, the job isn't just to peddle U.S. Treasuries to foreign investors.[xxiv] Even if it were, Weiss is a corporate dealmaker, not a bond trader.

Professor Levitin makes another good point: "The shock of Mr. Weiss's supporters that anyone would dare question his suitability reflects an unspoken assumption that anyone from Wall Street is of course expert in all things financial. That's hooey."[xxv] End quote. I agree. We'd all scratch our heads if the President nominated a theoretical physicist to be the Surgeon General just because she had a background in "science." It's no less puzzling for the President to nominate an international mergers specialist to handle largely domestic issues at Treasury because he has a background in "finance."

Second, Weiss supporters say Burger King isn't a "classic" inversion deal. Ok, so when Burger King moved to Canada, in a deal that would lower its taxes, I guess it was an "un-classic" inversion deal. Got it guys.

Let's be clear. In August and September of this year, more than 2600 news stories mentioned Burger King in the context of tax inversions.[xxvi] There has been some debate over the details. People disagree about what the exact implications will be for Burger King and whether their taxes will go down a little or go down a lot.[xxvii] But no matter how many Burger King executives line up in the newspapers to say they had other motives, this was an inversion deal—and Mr. Weiss was right in the middle of it.[xxviii]

This matters – because at the end of the day, the Administration undercuts its own opposition to this practice by nominating someone who was involved in a high-profile, cross-border inversion – and who, by the way, made $15 million in the last two years[xxix] working for Lazard, a firm that did three of the last four major announced inversions. Lazard isn't an American company anymore either; it already moved to Bermuda to cut its taxes.[xxx]

Third, and maybe you can help me understand this one, people say opposition to Antonio Weiss is unreasonable because he – wait for it – likes poetry. I'm not kidding. Supposedly, because he helps publish a literary magazine called the Paris Review, we should trust that he will zealously pursue financial reform.[xxxi] I confess that I don't read many literary magazines, but really? If he liked monster truck racing would that show that he supported Wall Street bailouts? I don't get what this hobby has to do with overseeing consumer protection and domestic regulatory functions at the Treasury Department.

So what is this all really about? Why call out the cavalry for a guy whose experience doesn't match the job he's been nominated for? Why circle the wagons around a guy who is picking up $20 million to take a public service job?

It's all about the revolving door – that well-oiled mechanism that sends Wall Street executives to make policies in the government and that sends government policymakers straight to Wall Street. Weiss defenders are all in, loudly defending the revolving door and telling America how lucky we are that Wall Street is willing to run the economy **and** the government. In fact, Weiss supporters even defend golden parachutes like the $20 million payment Weiss will receive from Lazard to take this government job. Why? They say it is an important tool for making sure Wall Street executives will continue to be willing to run government policy making.[xxxii]

If that sounds ridiculous to you, you're not alone. Sheila Bair, a Republican and the former head of the FDIC, responded that "only in the Wonderland of Wall Street logic could one argue that this looks like anything other than a bribe." End Quote. She went on: "We want people entering public service because they want to serve the public. Frankly, if they need a $20 million incentive, I'd rather they stay away."[xxxiii]

Why does the revolving door matter? Because it means that too much of the time, the wind blows from the same direction. Time after time in government, the Wall Street view prevails, and time after time, conflicting views are crowded out. Consider the deregulation of the banking industry in the 1980s and 1990s, followed by the no-strings-attached bank bailouts in the aftermath of the 2008 financial crisis, and most recently the anemic efforts to help homeowners who had been systematically cheated by financial giants.

The impact of the revolving door can sometimes be subtle. No one likes to ignore phone calls from former colleagues, and no one likes to advance policies that could hurt future employers. Relationships matter, and anyone who doubts that Wall Street's outsized influence in Washington has watered down our government's approach toward still-too big-to-fail banks has their eyes deliberately closed. Take one example. Brown-Kaufman was a proposed amendment to the Dodd-Frank Act that would have broken up the nation's largest financial institutions. That amendment might have passed, but it ran into powerful opposition from an alliance between Wall Streeters in the government and Wall Streeters still on Wall Street who blocked it. The hand-in-hand between Treasury officials and Wall Street executives on this was not subtle -- a senior Treasury official publicly acknowledged it at the time.[xxxiv]

The revolving door rips the heart out of independent government service. Too many people get jobs based on *who* they know – not *what* they know. Too many others who might have brought a different perspective to this work get crowded out. I know that there are experienced and innovative people in the financial industry who are qualified for top economic positions in government. When I set up the new Consumer Financial Protection Bureau, I interviewed, hired, and worked alongside many people with Wall Street experience—and I was glad to do so. In the Senate, I have voted for plenty of nominees with Wall Street experience.

But we need a balance. Not every person who swoops in through the revolving door should be offered a top job without some serious cross-examination. Qualifications matter, and Weiss doesn't have them.

This is about building some counterpressure on the Wall Street bankers. Members of Congress, their staffs, and the regulatory agencies are going to hear the Wall Street perspective loud and clear, each and every minute of each and every day. That isn't going to change. But we need a real mix of people in the room when decisions are made. When the President has an opportunity to decide who will be at the financial decision making table, he should think about who knows about the economics of job creation, about community banks and access to financing for small businesses, about who has the skills and determination to make sure that the biggest banks can't take down our economy again.

The titans of Wall Street have succeeded in pushing government policies that made the megabanks rich beyond imagination, while leaving working families to struggle from payday to payday. So long as the revolving door keeps spinning, government policies will favor Wall Street over Main Street. I hope you'll all join me in saying "enough is enough."

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