

Madam Speaker, the Veterans Administration is a government-run health care program that treats our veterans cavalierly in these examples. Veterans should be able to go to any doctor or any hospital to be treated and not bound and tied to VA hospitals. And, also, this is a prime example of how things will be when the government takes over the health care of all Americans. Do we really want the government to control our health care? Not a healthy idea for Americans or for veterans.

And that's just the way it is.

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. WOOLSEY) is recognized for 5 minutes.

(Ms. WOOLSEY addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

CREATE A SAFE AND SOUND CREDIT SYSTEM

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Ohio (Ms. KAPTUR) is recognized for 5 minutes.

Ms. KAPTUR. Madam Speaker, the first goal of our banking system, as opposed to a securities system, should be to create a safe and sound credit system, one that promotes responsible savings and lending practices. In this system, the availability of credit is crucial, and that's what's missing today across our country. Earlier today, Vice President JOE BIDEN held a town hall meeting in the Toledo, Ohio, area. He heard from Governor Ted Strickland and others that one of the biggest economic challenges facing Ohio remains an inability of businesses to obtain the credit they need. The reason is because our banking system suffered a heart attack last year and still hasn't fully recovered.

Safe and sound credit and prudent financial behavior by individuals and institutions should be our Nation's financial system's primary purpose. The administration's priorities tell me it plans a much larger role for higher-risk securities in whatever system they are envisioning, which to me threatens more higher-risk behavior. Banks traditionally have served as intermediaries between people who have money, depositors, and those who need money, borrowers.

The banks' value-added was their ability to loan money sensibly within parameters of \$10 of loans with every dollar on deposit and thus sensibly and responsibly managing their deposits and collecting on the loans that they were to oversee.

Wall Street's high-risk securitization destroyed that system. The banks didn't much care about making sensible loans as long as they could sell them off somewhere. The regulators were not on top of this because the loans were off the banks' books. So

why would the regulators care? These loans were now somebody else's problem, not theirs.

Where has the epidemic of securitization taken us?

Well, if you look at the government-backed Freddie Mac and Fannie Mae secondary markets, they became the larger purchaser of securitized mortgages. In case you forgot, it's we, the taxpayers, who own both Fannie Mae and Freddie Mac.

But these securitized mortgage bodies bought too many bad loans, which contributed to those institutions' downfall. Who is profiting from this? Because, yes, there are certain organizations that are profiting royally from the downfall of Freddie Mac and Fannie Mae. It is not our constituents, it's not our Treasury, which collects our tax dollars.

There are four entities at least that are profiting, and I would like to target on one tonight, BlackRock. That's a company that isn't a bank. And why on that one in particular? Because its current CEO Lawrence Fink coincidentally, some might say, sold Freddie Mac its first \$1 billion in collateralized mortgage obligations. Euromoney.com states, "Larry Fink is one of the pioneers of the mortgage-backed securities market. As a trader at [then] First Boston a quarter of a century ago, he pitched the first collateralized mortgage obligation that Freddie Mac ever did."

So Larry Fink had a hand in making financial instruments that have brought Freddie Mac and our financial system to its knees, yet the company he leads now profits from his mistake.

Now BlackRock just won a big contract with the Federal Reserve Bank of New York to manage the toxic assets of Freddie Mac and Fannie Mae in their collateralized mortgage obligations.

It's a mess that he help to create, but now we have hired the same man to clean it up? One question I have to ask is how can we be sure he isn't self-dealing or covering up what he did in the last quarter century? Some might say that relationship is a bit incestuous.

The administration's financial regulatory reform proposal includes some consideration for dealing with too-big-to-fail institutions but, rather than create an architecture that keeps risk in hand, what they are doing is they are allowing institutions like BlackRock to become too big to fail.

In fact, BlackRock's assets are now larger with the purchase of Barclays than the entire Federal Reserve system itself. So BlackRock, although not a bank, is getting too big to fail, perhaps? Is BlackRock favoritism an example of how we should be rebuilding our financial system?

Paul Krugman thinks not. He states, "In short, Mr. Obama has a clear vision of what went wrong, but aside from regulating shadow banking, no small thing, to be sure, his plan basically punts on the question of how to keep it from happening all over again, pushing

the hard decisions off to future regulators."

Now is not the time to punt. It's the time for reform. The time the has been not as ripe since Roosevelt. We really need a President who will lead and a Congress as well, not following the guidance of Wall Street, but going back to prudent lending and recreating a safe and sound banking system across this country.

[From the New York Times, June 19, 2009]

OUT OF THE SHADOWS

(By Paul Krugman)

Would the Obama administration's plan for financial reform do what has to be done? Yes and no.

Yes, the plan would plug some big holes in regulation. But as described, it wouldn't end the skewed incentives that made the current crisis inevitable.

Let's start with the good news.

Our current system of financial regulation dates back to a time when everything that functioned as a bank looked like a bank. As long as you regulated big marble buildings with rows of tellers, you pretty much had things nailed down.

But today you don't have to look like a bank to be a bank. As Tim Geithner, the Treasury secretary, put it in a widely cited speech last summer, banking is anything that involves financing "long-term risky and relatively illiquid assets" with "very short-term liabilities." Cases in point: Bear Stearns and Lehman, both of which financed large investments in risky securities primarily with short-term borrowing.

And as Mr. Geithner pointed out, by 2007 more than half of America's banking, in this sense, was being handled by a "parallel financial system"—others call it "shadow banking"—of largely unregulated institutions. These non-bank banks, he ruefully noted, were "vulnerable to a classic type of run, but without the protections such as deposit insurance that the banking system has in place to reduce such risks."

When Lehman fell, we learned just how vulnerable shadow banking was: a global run on the system brought the world economy to its knees.

One thing financial reform must do, then, is bring non-bank banking out of the shadows.

The Obama plan does this by giving the Federal Reserve the power to regulate any large financial institution it deems "systemically important"—that is, able to create havoc if it fails—whether or not that institution is a traditional bank. Such institutions would be required to hold relatively large amounts of capital to cover possible losses, relatively large amounts of cash to cover possible demands from creditors, and so on.

And the government would have the authority to seize such institutions if they appear insolvent—the kind of power that the Federal Deposit Insurance Corporation already has with regard to traditional banks, but that has been lacking with regard to institutions like Lehman or A.I.G.

Good stuff. But what about the broader problem of financial excess?

President Obama's speech outlining the financial plan described the underlying problem very well. Wall Street developed a "culture of irresponsibility," the president said. Lenders didn't hold on to their loans, but instead sold them off to be repackaged into securities, which in turn were sold to investors who didn't understand what they were buying. "Meanwhile," he said, "executive compensation—unmoored from long-term performance or even reality—rewarded recklessness rather than responsibility."