

**Senator Richard C. Shelby**

**Remarks to the U.S. Chamber of Commerce  
Center for Capital Markets Competitiveness  
July 25, 2012**

**“Financial Regulatory Reform: Past, Present, and Future”**

“Thank you for inviting me to speak at the U.S. Chamber of Commerce; the organization that represents the voices of millions of Main Street businesses throughout the country. It is a pleasure to speak to an audience that is dedicated to job creation and economic growth.

“The Chamber has repeatedly demonstrated that it is fearless in its pursuit of its members’ interests and is not afraid to put its money where its mouth is. As a result, the Chamber has been remarkably effective in defending the free market system.

“As the Ranking Member of the Senate Banking Committee, I would like to offer my perspective on the topic of today’s event “Financial Regulatory Reform: Past, Present, and Future.”

“I would like to begin, however, by commenting on the President’s recent observations on entrepreneurship in America.

“I believe that the President gave us a unique glimpse of his economic philosophy with his comments at a recent campaign event where he said “If you got a business, you didn’t build that, somebody else made that happen.”

“The debate over what he meant to say and whether his words have been taken out of context is in full swing. I am not going to enter that debate today, but I would like to examine the premise of his comments.

“The President apparently believes that the infrastructure that we all use in our daily lives is somehow a gift that was given to us requiring no sacrifice of our own. And, if

we achieve any degree of success while utilizing that gift, we should be penalized for having prospered.

“Mr. President, we all paid for and are paying for those roads and bridges to which you referred.

“We all paid for and are paying for the sewers, streets, and public services made available in cities and towns across this country. And, we all paid for and are paying for the schools that educated us and are attempting to educate our children and grandchildren.

“Perhaps if the President had spent some time working in the private sector he would better understand what a struggle it is to pay the bills and meet a payroll while being taxed and regulated at a level that discourages growth and job creation.

“I am afraid, however, that our President does not speak and does not understand the language of commerce. He only understands the language of the state and its power to compel, confiscate and redistribute.

“The President’s comments reveal his belief in the supremacy of the collective over the individual who, in his mind, is incapable of achievement without the state’s assistance or forbearance. He believes that entrepreneurial risk-taking should be penalized because it inherently exploits the efforts of others.

“He promotes dependency over self-reliance as a means to expand the state’s power and influence. He believes that the market is something to be restrained and exploited for the benefit of the state. His goal is to control not only markets, but those whose choose to participate in them.

“To be clear, I support and have supported prudent and targeted regulation that encourages transparency and most importantly protects the American taxpayer.

“Laws like Dodd-Frank, however, are an ideal illustration of the President’s brand of state power and federal overreach.

“Dodd-Frank was the unfortunate product of an attempt at reform in the wake of a financial crisis. Its scale and scope is unprecedented and is still yet to be determined.

“Just to give you an idea of how massive this law is, by contrast, Sarbanes-Oxley required just one agency to adopt a mere 16 rules and mandated only nine studies.

“Dodd-Frank requires 20 different agencies to adopt almost 400 rules and mandates almost 90 studies.

“According to a recent report, financial regulators have implemented only 30 percent of the final rulemaking required by Dodd-Frank, yet they have already created 9,000 pages of rules and regulations.

“The only similarity between Sarbanes-Oxley and Dodd-Frank is that they are both examples of “crisis legislation” that need to be changed.

“Sarbanes-Oxley was enacted following a number of major corporate and accounting scandals at large public companies.

“Dodd-Frank was enacted in the middle of a global economic and financial crisis that, among other things, has cost taxpayers hundreds of billions of dollars in bailouts.

“Both Sarbanes-Oxley and Dodd-Frank, in their own ways, highlight the dangers of legislating in the middle of a crisis.

“First, crisis legislation invariably includes provisions that do not address the problems that actually led to the crisis. Too often, it becomes just an opportunity to exploit for any number of special interests.

“Dodd-Frank, for example, does not simplify or modernize our overly-complex and arcane financial regulatory system. It is now more complex and arcane than it ever was.

“Second, crisis legislation tends to give more power, more resources, and more authority to the regulators who were supposed to be overseeing the activities that led to the crisis.

“With Dodd-Frank, Congress has delegated the major policy decisions – and therefore the real work – to the regulators. It requires them to devise and implement hundreds of rules under unrealistic deadlines, diverting their focus away from their core responsibilities.

“Perhaps no two events better exemplify both of these flaws than the collapse of MF Global and Peregrine Financial Group.

“Third, crisis legislation often leads to the creation of new and unaccountable government bureaucracies.

“Dodd-Frank creates several new bureaucracies, including the Bureau of Consumer Financial Protection, the Financial Stability Oversight Council, and the Office of Financial Research.

“The structure of the Bureau should be of concern to anyone who believes in checks and balances and accountability.

“Dodd-Frank confers on the Director of the Bureau immense power over the economy, but fails to provide any effective means for holding the Director accountable for his actions.

“Accordingly, Senate Republicans opposed the confirmation of a Director on grounds that no person should exercise so much power without any checks.

“We refused to confirm any nominee to be the Director of the Bureau until the President agreed to make structural changes that would make the Bureau accountable to the American people. The Chamber was a valuable ally in that fight, and I appreciate your support.

“Unfortunately, President Obama rejected our common sense reforms and instead proceeded with an unconstitutional recess appointment of Mr. Cordray.

“Fortunately, a lawsuit challenging the constitutionality of the Bureau’s structure and the recess appointment has been filed.

“Hopefully, the courts will do a better job than Congress in preserving our system of checks and balances.

“Finally, crisis legislation creates cottage industries for special-interest lawyers, lobbyists, and consultants.

“It has turned the financial regulatory landscape into a maze that can be navigated successfully only by the politically-connected and those with large financial resources making it a haven for crony capitalism.

“As we have seen time and again, the winners from crisis legislation are often the politically-connected, special interest groups, and unelected bureaucrats.

“The losers are American taxpayers and Main Street businesses.

“That is unacceptable and must change.

“Change, however, is not likely to come if the balance of power remains the same in Washington.

“The authors and supporters of Dodd-Frank will not allow even a single change to be made -- not even a technical correction.

“In 2013, it is my hope that the balance of power will shift and I will once again Chair the Senate Banking Committee.

“If that is the case, I intend to pursue real financial reform in four key areas during the next Congress.

“First, I will introduce legislation to repeal Dodd-Frank provisions that had absolutely nothing to do with the financial crisis and any provisions that are imposing unnecessary costs on our economy.

“Second, I will push for a vote on legislation that I introduced this Congress that would require all financial regulators to conduct rigorous cost/benefit analysis. No regulation should see the light of day if its costs outweigh its benefits.

“Third, I will introduce legislation to fix flawed Dodd-Frank provisions.

“Finally, I will hold hearings and direct the necessary Committee work to tackle the reforms that Dodd-Frank neglected.

“Let me give an example in each of these four areas.

“First, Dodd-Frank included a number of provisions that impose huge costs on American manufacturers that had nothing to do with the crisis.

“I intend to review each and every one of them.

“Second, we need to make our regulatory process more sensitive to the costs of regulation relative to its benefits. That is why I introduced the Financial Regulatory Responsibility Act of 2011.

“This legislation would hold financial regulators accountable for rigorous, consistent economic analysis on every new rule they propose.

“No longer could agencies issue rules without first understanding their impact on our economy. Rules would have to be based on solid evidence, not the arbitrary preferences of regulators.

“I thank the Chamber for their letter in support of my Financial Responsibility Bill.

“Third, as I mentioned a few minutes ago, I believe that structural changes need to be made to the Bureau of Consumer Financial Protection to make it accountable to the American people.

“As Chairman of the Senate Banking Committee, I will introduce legislation to make three specific, common sense reforms to the Bureau’s structure.

“First, replace the single Director with a board to oversee the Bureau.

“This will prevent a single person from dominating the Bureau and provide a critical check on the Bureau’s authority.

“Second, subject the Bureau to the Congressional appropriations process.

“This will provide oversight and accountability to the American people on how public money is spent.

“Third, establish a safety-and-soundness check for the prudential financial regulators, who oversee the safety and soundness of our financial institutions.

“This will help ensure that excessive Bureau regulations do not needlessly cause bank failures.

“Separating safety and soundness regulation from consumer regulation is a fundamentally flawed construct that was clearly demonstrated with the failure of Fannie Mae and Freddie Mac. This leads me to the fourth area I want to address.

“Presently, our housing market is entirely dependent on taxpayer-funded government support through FHA and the GSE’s.

“The government has completely crowded out the private sector and is preventing the revival of the housing market.

“That is why I proposed that the Banking Committee establish a formal process to pass housing finance reform this Congress.

“Unfortunately, my colleagues on the other side of the aisle do not share my sense of urgency, and the Obama Administration has shown little interest in tackling the issue.

“If the Republicans regain control of the Senate, we will lay out a plan that provides for a comprehensive examination of housing finance and the Federal government’s role in housing.

“We will then work with whoever is interested in limiting the federal government’s role and establishing a housing finance regime that protects the American taxpayer and encourages private sector involvement.

“We will enact real financial reform that enhances the safety and soundness of our financial system without imposing large costs on American consumers and Main Street businesses that will further weaken the economy and hurt job growth.

“The President has made no secret of his desire to expand federal power to control private commercial activity. If the balance of power remains the same, you can expect more of the same.

“More taxes, more regulation, and more government. And, that will not be good for consumers or Main Street businesses and it will further erode our system of limited government.

“Thank you very much.”