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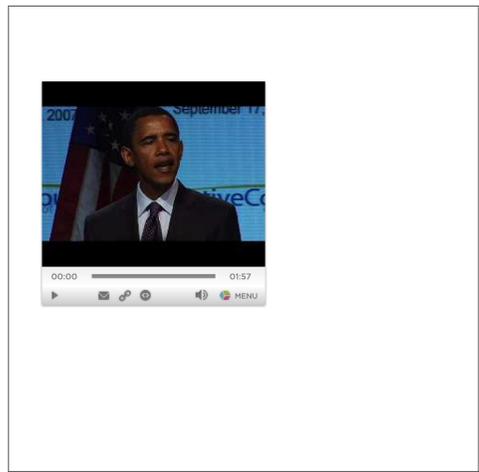
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Remarks of Senator Barack Obama: Our Common Stake in America's Prosperity

New York, New York | September 17, 2007

Seventy-five years ago this week, Governor Franklin Delano Roosevelt took his campaign for the presidency to the Commonwealth Club in San Francisco.

It was a time when faith in the American economy was shaken - a time when too many of our leaders clung to the conventional thinking that said all we could do is sit idly by and wish that our problems would go away on their own.



But Franklin Roosevelt challenged that cynicism. Amid a crisis of confidence Roosevelt called for a "re-appraisal of values." He made clear that in this country, our right to live must also include the right to live comfortably; that government must favor no small group at the expense of all its citizens; and that in order for us to prosper as one nation, "...the responsible heads of finance and industry, instead of acting each for himself, must work together to achieve the common end."

This vision of America would require change that went beyond replacing a failed President. It would require a renewed trust in the market and a renewed spirit of obligation and cooperation between business and workers; between a people and their government. As FDR put it, "Faith in America, faith in our tradition of personal responsibility, faith in our institutions, and faith in ourselves demands that we all recognize the new terms of the old social contract."

Seventy-five years later, this faith is calling us to act once more.

We certainly do not face a test of the magnitude that Roosevelt's generation did. But we are tested still. We meet at a time when much of Wall Street is holding its collective breath. Here at the NASDAQ and all across America, the tickers are being watched with heightened anxiety and considerable uncertainty. There is much anticipation about tomorrow's meeting of the Fed, and with each new day, there is hope that the headlines will bring better news than the last.

It is a hope shared by millions of Americans, men and women, who have experienced this kind of anxiety and uncertainty long before it arrived on Wall Street. They are the families I meet every day who are working longer hours for a paycheck that isn't getting any bigger and can't seem to cover the rising cost of health care and tuition and taxes. They are the Maytag workers I've met in Galesburg, Illinois and Newton, Iowa - workers who believed they would retire and never have to work again; workers who now compete with their teenagers for minimum wage jobs at Wal-Mart because their factory moved overseas.

These Americans and many others were already struggling before the problems on Wall Street arose. Now they are looking at their homes and wondering if their greatest source of wealth will still have the same value in another year, or even another month. And we're all wondering whether this will spill over to the wider economy.

So we know there is a need right now to restore confidence in our markets. We know there is a need to renew public trust in our markets. But I also think that this is another moment that

requires, in FDR's words, a re-appraisal of our values as a nation.

I believe that America's free market has been the engine of America's great progress. It's created a prosperity that is the envy of the world. It's led to a standard of living unmatched in history. And it has provided great rewards to the innovators and risk-takers who have made America a beacon for science, and technology, and discovery.

But I also know that in this country, our grand experiment has only worked because we have guided the market's invisible hand with a higher principle.

It's the idea that we are all in this together. From CEOs to shareholders, from financiers to factory workers, we all have a stake in each other's success because the more Americans prosper, the more America prospers. That's why we've had titans of industry who've made it their mission to pay well enough that their employees could afford the products they made. That's why employees at companies like Google don't mind the vast success of their CEOs - because they share in that success just the same. And that's why our economy hasn't just been the world's greatest wealth creator - it's been the world's greatest job generator. It's been the tide that has lifted the boats of the largest middle-class in history.

We have not come this far because we practice survival of the fittest. America is America because we believe in creating a framework in which all can succeed. Our free market was never meant to be a free license to take whatever you can get, however you can get it. And so from time to time, we have put in place certain rules of the road to make competition fair, and open, and honest. We have done this not to stifle prosperity or liberty, but to foster those things and ensure that they are shared and spread as widely as possible.

In recent years, we have seen a dangerous erosion of the rules and principles that have allowed our market to work and our economy to thrive. Instead of thinking about what's good for America or what's good for business, a mentality has crept into certain corners of Washington and the business world that says, "what's good for me is good enough."

In our government, we see campaign contributions and lobbyists used to cut corners and win favors that stack the deck against businesses and consumers who play by the rules. Massive tax cuts are shoved outside the budget window and accounting shenanigans are used to hide the full cost of this war.

In the business world, it's a mentality that sees conflicts of interest as opportunities for profit. The quick kill is prized without regard to long-term consequences for the financial system and the economy. And while this may benefit the few who push the envelope as far as it will go, it doesn't benefit America and it doesn't benefit the market. Just because it makes money doesn't mean it's good for business.

It's bad for business when boards allow their executives to set the price of their stock options to guarantee that they'll get rich regardless of how they perform. It's bad for the bottom line when CEOs receive massive severance packages after letting down shareholders, firing workers and dumping their pensions; or when they throw lavish birthday parties with company funds.

It's bad for competition when you have an Administration that's willing to approve merger after merger with barely any scrutiny. Such an approach stifles innovation, it robs consumers of choice, it means higher prices, and we have to guard against it.

And it's bad for the market when there are over \$1 trillion worth of loopholes in the corporate tax code, or when some companies get to set up a mailbox in a foreign country to avoid paying any taxes at all. This means a greater share of taxes for Americans and small businesses that are trying to compete but can't afford to lobby their way to more loopholes.

It also means that investment goes to the companies that are best connected instead of the ones that are most productive. Economics 101 tells us special interest politics distorts the free market. After all, why would an oil company invest in research for alternative fuels that could save our environment when they can get billions of dollars in subsidies to keep drilling for oil and gas?

These anti-market, anti-business practices are wasteful, unproductive, and antithetical to the very spirit of capitalism. They benefit the undeserving few at the expense of hardworking Americans and entrepreneurs who play by the rules.

In fact, the danger with this mentality isn't just that it offends our morals, it's that it endangers our markets. Markets can't thrive without the trust of investors and the public. At a most basic level, capital markets work by steering capital to the place where it is most productive.

Without transparency, that cannot happen. If the information is flawed, if there is fraud, or if the risks facing financial institutions are not fully disclosed, people stop investing because they fear they're being had. When the public trust is abused badly enough, it can bring financial markets to their knees. We all suffer when we do not ensure that markets are transparent, open and honest.

We saw this during the dotcom boom of the 90s when conflicts of interest between securities analysts, whose research was supposed to guide investors, and the banks they worked for led investors to doubt the markets in general.

We saw it during the Enron and WorldCom scandals when major public companies artificially pumped up their earnings, disguised their losses and otherwise engaged in accounting fraud to make their profits look better - a practice that ultimately led investors to question the balance sheets of all companies.

And we cannot help but see some reflections of these practices when we look at the subprime mortgage fiasco today.

Subprime lending started off as a good idea - helping Americans buy homes who couldn't previously afford to. Financial institutions created new financial instruments that could securitize these loans, slice them into finer and finer risk categories and spread them out among investors around the country and around the world.

In theory, this should have allowed mortgage lending to be less risky and more diversified. But as certain lenders and brokers began to see how much money could be made, they began to lower their standards. Some appraisers began inflating their estimates to get the deals done. Some borrowers started claiming income they didn't have just to qualify for the loans, and some were engaging in irresponsible speculation. But many borrowers were tricked into glossing over the fine print. And ratings agencies began rating bundles of different kinds of these loans as low-risk even though they were very high-risk.

Most everyone knew that some of these deals were just too good to be true, but all that money flowing in made it tempting to look the other way and ignore the unscrupulous practice of some bad actors

And yet, time and again we were warned this could happen. Ned Gramlich, the former Fed governor who sadly passed away two weeks ago, wrote an entire book predicting this very situation. Repeated calls for better disclosure and stronger oversight were met with millions in mortgage industry lobbying. Far too many continued to put their own short-term gain ahead of what they knew the long-term consequences would be when those rates exploded.

Those consequences are now clear: nearly 2.5 million homeowners could lose their homes. Millions more who had nothing to do with this could see the value of their own home decline - with some estimates projecting a cost of nearly \$164 billion, primarily in lost home equity. The projected cost to investors is nearly \$150 billion worldwide. And the impact on the housing market and wider economy has been so great that some economists are now predicting a possible recession - a prediction all of us hope does not come to pass.

There are a number of lessons that we must learn from this going forward. We know that much of this could have been avoided if the market operated with more honesty and accountability. We also know we would have been far better off if there were greater transparency and more information had been available to the American people.

To that extent, I believe there are a few steps we should take to prevent future crises of this kind and restore some measure of public trust in the market:

First, we need more disclosure and accountability in the housing market. To ensure that potential homeowners aren't tricked into purchasing loans they can't afford, I've proposed updating the current mortgage rules to establish a federal definition of mortgage fraud and enact tough penalties against lenders who knowingly act in bad faith. I've also proposed a Home Score system that would create a simplified, standardized metric for home mortgages, sort of like the APR. This would empower Americans to make smart decisions by allowing prospective buyers to easily compare various mortgage products so they can find out whether they can afford the payments. And I believe we should finally enact the meaningful mortgage disclosure laws that the mortgage industry has been lobbying against for far too long.

Second, I believe that if we hope to restore trust in the markets, we must be able to trust the judgment of our rating agencies. The failure of government to exercise adequate oversight over the rating agencies will cost investors and public pension funds billions of dollars - losses we have not yet fully recognized. We cannot let the public trust be lost by a conflict of

interest between the rating agencies and the people they're rating. As Arthur Levitt recently reminded us, this happened when rating agencies continued to give a rosy outlook for Enron despite its impending bankruptcy. And of course we saw it this year when subprime mortgage loans continued to receive strong ratings despite repeated warnings of the instability of the mortgages and the impending slowdown of the housing market.

Here's the real danger - if the public comes to view this like the accounting analyses of Enron, the markets will be ravished by a crisis in confidence. We must take steps to avoid that at all costs, and that is why I believe there should be an immediate investigation of the relationship and business practices of rating agencies and their clients.

The third thing we need to do is look at other areas in the market where a lack of transparency could lead to similar problems. Many of the people who hold these subprime mortgages are now shifting their debt to credit cards, and if they do not understand the commitments they're taking on, or are subjected to predatory practices, this could fester into a second crisis down the road. That's why I'm proposing a five-star credit card rating system to inform consumers about the level of risk involved in every credit card they sign up for, including how easily the company can change the interest rate. If more Americans were armed with this kind of information before they purchased risky mortgage loans, the current crisis might not have happened. Now that so many are in debt, we shouldn't let the same lax standards create another.

Finally, while it's not my place to comment on the actions of the Fed, I have heard many of you say that you hope for a sizable rate cut tomorrow to soothe the market turmoil.

But I also know that there are nearly 2.5 million Americans who may lose their homes no matter what happens tomorrow. And so for those institutions that are holding these mortgages, I ask them to show some flexibility to folks trying to sell or refinance their houses. They are in the same liquidity pinch as companies are, but they don't have the same resources available to protect themselves.

Now, in addition to these immediate steps, I also believe there is a larger lesson to be learned from the subprime crisis.

In this modern, interconnected economy, there is no dividing line between Main Street and Wall Street. The decisions that are made in New York's high-rises and hedge funds matter and have consequences for millions of Americans across the country. And whether those Americans keep their homes or their jobs; whether they can spend with confidence and avoid falling into debt - that matters and has consequences for the entire market.

We all have a stake in each other's success. We all have a stake in ensuring that the market is efficient and transparent; that it inspires trust and confidence; that it rewards those who are truly successful instead of those who are just successful at gaming the system. Because if the last few months have taught us anything, it's that we can all suffer from the excesses of a few. Turning a blind eye to the cronyism in our midst can put us all in jeopardy. And we cannot accept that in the United States of America.

So I promise you this. I will be a President who believes in your success. I will value your contribution to this country and I will do what I can to encourage it, because I understand that how well you do is inextricably linked to how well America does. And I will always be a strong advocate for a market that is free and open.

But today I am asking you to join me in saying that in this country, we will not tolerate a market that is fixed. We will not tolerate a market that is rigged by lobbyists who don't represent the interests of real Americans or most businesses. And we will not tolerate "what's good for me is good enough" any longer - because the only thing that's good enough is what's best for America.

I am also asking you to join me in doing something else today. I am asking you to remind yourselves that in this country, we rise or fall as one people. And I am asking you to join me in ushering in a new era of mutual responsibility in America.

Right now there are millions of hardworking Americans who have been struggling to get by for quite some time. They have watched their wages stagnate and their health costs rise and their pensions disappear. Some have seen jobs shipped overseas and others have found new ones that pay much less. Some tell their children they won't be able to afford college this year, others send their youngest to a school that is crumbling around them.

I meet these Americans every single day - people who believe they have been left on the sidelines by a global economy that has forever changed the rules of the game. They understand that revolutions in technology and communication have torn borders and opened up new markets and new opportunities. They know we can't go back to yesterday or wall off our economy from everyone else. Their problem is not that our world is flat. It's that our playing field isn't level. It's that opportunity is no longer equal. And that's something we cannot accept anymore.

For too long we have had a President who has clung to the belief that there is nothing America can do about this. He has looked away from these challenges and peddled a philosophy of "what's bad for you is not my problem."

And if we are honest, I think we must admit that those who have benefited from the new global marketplace - and that includes almost everyone in this room - have not always concerned themselves with the losers in this new economy. There has been a tendency, during the boom times, to consider the casualties of a changing economy to be inevitable, and to justify outsized paydays or lower tax rates on Wall Street earnings as part of the natural order of things.

Indeed, rather than addressing this growing sense of uncertainty and constricting opportunity for millions of working-class and middle-class Americans, this Administration has accelerated these trends through its tax policies and spending priorities - to the point where there is greater income inequality now than at any time since the Gilded Age.

It may be true, as some have argued, that larger forces are at work here - that technological advance and globalization have triggered a fundamental change in the economy. It is true as well that we cannot simply look backwards for solutions - to try to fence off the world beyond our borders, or to hope that the New Deal programs born of a different era are, by themselves, somehow adequate to meet the challenges of the future.

No, we are going to have to adapt our institutions to a new world as we always have. And in doing so, we have to remind ourselves that we rise and fall as one nation; that a country in which only a few prosper is antithetical to our ideals and our democracy; that those of us who have benefited greatly from the blessings of this country have a solemn obligation to open the doors of opportunity, not just for our children, but to all of America's children; and that unless we take immediate steps to realign the interests of all Americans in growth and prosperity, we may generate a political climate that is inimical to both.

And so, in the coming weeks, I will be laying out a 21st century economic agenda for America. It's an agenda that will level the playing field for more Americans to ensure that America can compete and thrive in a global economy.

It will focus on three broad areas.

Tomorrow, I'll lay out the first part of my agenda - a plan to modernize and simplify our tax code so that it provides greater opportunity and more relief to more Americans. For far too long, our tax code has been so riddled with special-interest loopholes and giveaways that it's shifted the tax burden to small businesses and middle-class Americans. At a time when most Americans are facing stagnant wages and rising costs, that's not fair and it doesn't benefit our economy. My plan will give a break to middle-class Americans, seniors, and the homeowners who are feeling today's anxiety and uncertainty, because I believe that we all have a stake in restoring their confidence and investing in their prosperity.

The second part of my agenda will be to ensure America's competitive edge in the 21st century. This starts with providing every American with a world-class education from cradle to adulthood. We know that in this economy, countries that out-educate us today will out-compete us tomorrow. And we also know that China is already graduating four times as many engineers as we do and that our share of twenty-four-year-olds with college degrees now falls somewhere between Bulgaria and Costa Rica.

We can't allow ourselves to fall behind. That means investing in early child education. It means recruiting an army of new, qualified teachers who we pay more and support more because we know how important their job is to the future of this country. And it means finally making a college education affordable and available to every American. Tony Blair once said that "Talent is the 21st century wealth," and I believe we all have a stake in nurturing that talent if we hope to prosper in this century.

Ensuring our competitive edge also means investing more in the science and technology that has fueled so much of our nation's economic growth. And one place where that investment would make an enormous difference to the future of this country is in a renewable energy

policy that ends our addiction on foreign oil. We know this addiction isn't sustainable for our security. We know it's not sustainable for the planet. And I've talked to countless CEOs and business leaders who know it's not sustainable for our economy to be held hostage to the spot oil market. I believe that we all have a stake in a renewable future that will create thousands of new jobs and entire new industries that can fuel our prosperity well into the next century.

Finally, the third part of my agenda will be to modernize and strengthen America's safety net for working Americans. Like all of you, I believe in free trade. But we have to acknowledge that for millions of Americans, its burdens outweigh its benefits. And so if we want to avoid rising protectionism in this country; if we expect working Americans to accept and even embrace free trade, then I believe we all have a stake in embracing policies that will provide them with a sense of security. That means health insurance and a pension that they can always count on. That means skills and training that can actually help people find a job. And that means wages that actually make work pay.

I ask for your support for this economic agenda, both in this campaign and if I should get the chance to enact these policies as your President. I will not pretend it will come without cost, but I do believe we can do achieve this in a fiscally responsible way - certainly more so than the current Administration that's given us deficits as far as the eye can see.

I know some may say it's anathema to come to Wall Street and call for shared sacrifice so that all Americans can benefit from this new economy of ours. But I believe that all of you are as open and willing to listen as anyone else in America. I believe you care about this country and the future we are leaving to the next generation. I believe your work to be a part of building a stronger, more vibrant, and more just America. I think the problem is that no one has asked you to play a part in the project of American renewal.

I also realize that there are some who will say that achieving all of this is far too difficult. That it is too hard to build consensus. That we are too divided and self-interested to think about the responsibilities we have to each other and to our country. That the times are simply too tough.

But then I am reminded that we have been in tougher times and we have faced far more difficult challenges. And each time we have emerged stronger, more united, and more prosperous than the last. It is faith in the American ideal that carries us through, as well as the belief that was voiced by Franklin Roosevelt all those years ago this week: "Failure is not an American habit; and in the strength of great hope we must all shoulder our common load." That is the strength and the hope we seek both today - and in all the days and months to come.

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