



## Remarks By John McCain On Our Financial Markets

September 19, 2008

ARLINGTON, VA -- U.S. Senator John McCain will deliver the following remarks as prepared for delivery in Green Bay, WI, today at 8:00 a.m. CT (9:00 a.m. ET):

Thank you all very much. It's a great pleasure to be introduced by Governor Sarah Palin -- and I can't wait to introduce her to Washington.

If Governor Palin and I are elected in 46 days, we are not going to waste a moment in changing the way Washington does business. And we're going to start where the need for reform is greatest. In short order, we are going to put an end to the reckless conduct, corruption, and unbridled greed that have caused a crisis on Wall Street.

Here and all across our country, people are wondering what exactly is happening on Wall Street. And with good reason, they want to know how their government will meet the crisis. Clear answers are hard to come by in Washington.

As Senator Obama's leader in Congress memorably put it the other day -- and I quote -- "no one knows what to do." Perhaps given that reaction, it shouldn't surprise us that the Congressional leaders of this do-nothing Congress also said that they weren't going to take action until after the election, claiming that it wasn't their fault. I am hopeful that last night's discussions are a sign they have changed their mind and will take action soon. But any action should be designed to keep people in their homes and safe guard the life savings of all Americans by protecting our financial system.

There are certainly plenty of places to point fingers, and it may be hard to pinpoint the original event that set it all in motion. But let me give you an educated guess. The financial crisis we're living through today started with the corruption and manipulation of our home mortgage system. At the center of the problem were the lobbyists, politicians, and bureaucrats who succeeded in persuading Congress and the administration to ignore the festering problems at Fannie Mae and Freddie Mac.

These quasi-public corporations lead our housing system down a path where quick profit was placed before sound finance. They institutionalized a system that rewarded forcing mortgages on people who couldn't afford them, while turning around and selling those bad mortgages to the banks that are now going bankrupt. Using money and influence, they prevented reforms that would have curbed their power and limited their ability to damage our economy. And now, as ever, the American taxpayers are left to pay the price for Washington's failure.

Two years ago, I called for reform of this corruption at Fannie Mae and Freddie Mac. Congress did nothing. The Administration did nothing. Senator Obama did nothing, and actually profited from this system of abuse and scandal. While Fannie and Freddie were working to keep Congress away from their house of cards, Senator Obama was taking their money. He got more, in fact, than any other member of Congress, except for the Democratic chairmen of the committee that oversees them. And while Fannie Mae was betraying the public trust, somehow its former CEO had managed to gain my opponent's trust to the point that Senator Obama actually put him in charge of his vice presidential search.

This CEO, Mr. Johnson, walked off with tens of millions of dollars in salary and bonuses for services rendered to Fannie Mae, even after authorities discovered accounting improprieties that padded his compensation. Another CEO for Fannie Mae, Mr. Raines, has been advising Senator Obama on housing policy. This even after Fannie Mae was found to have committed quote "extensive financial fraud" under his leadership. Like Mr. Johnson, Mr. Raines walked away with tens of millions of dollars.

Senator Obama may be taking their advice and he may be taking their money, but in a McCain-Palin administration, there will be no seat for these people at the policy-making table. They won't even get past the front gate at the White House.

My friends, this is the problem with Washington. People like Senator Obama have been too busy gaming the system and haven't ever done a thing to actually challenge the system.

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We've heard a lot of words from Senator Obama over the course of this campaign. But maybe just this once he could spare us the lectures, and admit to his own poor judgment in contributing to these problems. The crisis on Wall Street started in the Washington culture of lobbying and influence peddling, and he was square in the middle of it.

The financial services industry -- and there are many honest and honorable people who work in it -- plays a vital role in our economy. Mutual fund companies help Americans save for retirement. Banks and lending companies provide the mortgages that help us buy our homes. Investment firms supply the seed money that helps entrepreneurs create tomorrow's jobs. Insurance companies protect us against unknown risks.

Yet as the financial crisis continues and bailouts and bankruptcies mount, it's clear financial firms have lost the trust of the American people. That trust cannot be regained unless we adopt some fundamental reforms. Government has a clear responsibility to act and to defend the public interest. That is exactly what I intend to do.

First, to deal with the immediate crisis, I will lead in the creation of the Mortgage and Financial Institutions trust -- the MFI. The underlying principle of the MFI or any approach considered by Congress should be to keep people in their homes and safe guard the life savings of all Americans by protecting our financial system and capital markets. This trust will work with the private sector and regulators to identify institutions that are weak and fix them before they become insolvent. The MFI is an early intervention program to help financial institutions avoid bankruptcy, expensive bailouts and damage to their customers. This will get the Treasury and other financial regulatory authorities in a proactive position instead of reacting in a crisis mode to one situation after another.

The MFI will restore investor and market confidence, build sound financial institutions, assist troubled institutions and protect our financial system while minimizing taxpayer exposure. This is an important step, but it is not enough. I will also take the additional actions needed to make sure a crisis like this is never allowed to build and break over the American people again.

Second, I will propose and sign into law reforms to prevent financial firms from concealing their bad practices. An inexcusable lack of financial transparency allowed Wall Street firms to engage in reckless behavior that padded their profits and fattened executive bonuses when times were good, but now imperil the financial security of millions of Americans when their bets turned sour.

So much of the damage to our economy could have been avoided if these practices had been exposed to the light of day. Americans have a right to know when their jobs, pensions, IRAs, investments, and our whole economy are being put at risk by the recklessness of Wall Street. And under my reforms for the financial sector, that fundamental right will be protected.

Third, we need regulatory clarity. The lack of transparency in our financial markets went unnoticed by the regulatory agencies scattered throughout Washington charged with protecting the common good. We've got the SEC, the FDIC, the CFTC, the SIPC, the OCC, the Fed. At best, this confusing assortment of regulators and institutions was egregiously lax in carrying out their responsibilities. At worst, they engaged in the old Washington game of guarding their bureaucratic turf, instead of safeguarding the public interest and protecting investors.

Many in the financial services industry also either forgot or neglected their duty to act ethically and honorably. This shortcoming was aided and abetted by the creation of financial instruments that allowed lenders to escape any responsibility for the risk of their loans. In the past, lenders had to pay a price if they made a bad loan. Today, Fannie Mae and Freddie Mac worked with Wall Street to bundle together all these dicey subprime loans and then pushed them off on investors who didn't have the tools of transparency needed to assess or even understand the risk.

The current system promotes confusion, encourages bureaucratic infighting and creates incentives for financial firms to cut corners. We need to enhance regulatory clarity by holding the same financial activity to one regulatory standard. We don't need a dozen federal agencies doing the job badly -- we need the best federal agencies to do the job right.

Fourth, we must ensure that consumers and investors are protected. Our regulatory system must protect consumers and investors by punishing individuals who engage in fraud, break contracts, or lie to customers -- like the predatory lenders who know you can't afford an adjustable rate mortgage, but mislead you into signing one. These actions are criminal and the people who commit them should be behind bars. And corporate governance rules will be reformed so that shareholders have a clear say in determining the pay of CEOs and other senior executives. On my watch, the consequences for corporate abuse will not be more enrichment, but more likely an indictment.

Fifth, in cases where failing companies seek taxpayer bailouts, the Treasury Department will follow consistent policies in deciding whether to guarantee loans. It must have well developed remedies for a financial crisis. With billions of dollars in public money at stake, it will not do to keep making it up as we go along.

Finally, the Federal Reserve should get back to its core business of responsibly managing our money supply and inflation. It needs to get out of the business of bailouts. The Fed needs to return to protecting the purchasing power of the dollar. A strong dollar will reduce energy and food prices. It will stimulate sustainable economic growth and get this economy moving again.

All of these measures will calm and help us to avoid future panics and disasters in the financial markets. But to get through this tough time for America, and to come out stronger, we need a strategy of economic growth. And the massive new tax burden that my opponent plans for the American economy is exactly the wrong answer. His tax increase -- along with the enormous new federal programs he proposes -- are the surest way to turn a recession into a depression. In every respect, the Obama tax hikes would make things even worse for the working people of this country.

I have proposed, and will sign into law, an economic recovery plan for working Americans that is directed to the middle class. It will grow this economy, create millions of jobs and bring opportunity back to Americans. You will get a tax policy that creates family prosperity and allows you to save for the future. I will not raise your taxes on income or investments. And we will simplify the tax code so people can understand it and do their tax returns themselves.

I will give every family a \$5,000 credit to buy their own health insurance policy and let them choose their own doctor. This will make insurance affordable to every American.

I will double the child exemption from \$3,500 to \$7,000 to help families pay for the rising cost of living.

Under my plan, a married couple with two children making \$35,000 will get \$5,000 to pay for health insurance and additional medical expenses. This family would get another \$1,050 from my child exemption. That adds up to over \$6,000. That is a lot more than what any hardworking middle class family, gets under the Obama plan.

Business taxes will be cut from the second highest in the world at 35 percent to 25 percent. Tax incentives will spur investment in new plants and equipment. Research and development incentives will keep companies on the cutting edge of their industries. Healthcare costs will diminish. Companies will stop sending jobs overseas to low-cost, low-tax countries and start creating jobs here in America.

I will expand markets for our goods and services. A one in five of all jobs in this country are linked to world trade. In five states alone Pennsylvania, Ohio, Michigan, Wisconsin and Colorado over 5 million jobs depend on trade. My economic recovery plan will create millions of jobs in America instead of driving them overseas.

I will adopt an "all of the above" energy policy which expands our use of oil, natural gas, clean coal and nuclear facilities. We will embark on a national mission to build an alternative energy base, creating millions of new jobs. We will create the most diversified energy economy in the world. And, I will return to the American economy the \$700 billion dollars we send overseas every year to buy oil.

My opponent offers a very different economic future. He has continuously shifted his position on taxes. At the beginning of this campaign he promised to raise taxes on your savings and investments. He said he won't raise taxes for most people but he has voted 94 times in his short Senate career for tax increases and against tax cuts. He said he would only tax the rich, but he voted this year to raise taxes on those making just \$42,000. Senator Obama has simply not given Americans good reason to trust him with your tax dollars.

My opponent is against lowering taxes on businesses which are the second highest in the world. He will impose mandated health insurance on businesses that would cost up to \$12,000 per employee. He opposes free trade. He also wants to take away the fundamental right of workers to have a secret ballot when voting to be part of a union.

Now is not the time for these destructive policies that will cripple business growth, destroy jobs and hurt the middle class. Now is the time to take action to address this crisis and take action to put our economy back on a path of growth.

Even though Democratic leaders say they don't know what to do, I believe the deep problems afflicting our financial system won't be solved by one political party. There is only one candidate in this race who has a record of reaching across the aisle to work out the bipartisan solutions needed to move our country forward in times of crisis -- and I will bring that same spirit of bipartisan cooperation to the White House. It took members of both parties to get America into this mess, and it will take all of us, working together, to lead the way out.

Thank you.

