I want to talk today, briefly, about the work of the Financial Crisis Inquiry Commission. I want to talk about our role; I want to talk a little bit about how we intend to go about our role, and I want to talk briefly about what we hope to achieve. Let me take about ten to fifteen minutes and then what I’d like to do is, before you go on to your next session, perhaps take some of your questions to see if I can give you some answers about how we see our work.

As Jamie mentioned, the Commission was created in the Mortgage Fraud Recovery Act, passed in May of this year by Congress and signed by the President. The Financial Crisis Inquiry Commission is composed of ten members – six appointed by the Democratic leadership of the Congress, four appointed by the Republican leadership. We are charged with examining the causes of the financial crisis, writing the official history of what brought our financial and economic system to its knees.

We have two very specific charges. One is to look at the overall marketplace and determine the driving forces that led to our financial and economic collapse. We are charged with looking at lending and securitization practices, regulatory actions or inactions, with the global savings imbalance, a whole range of matters, to really look at the large picture.

We are also charged with examining the causes of the collapse of the major financial institutions, or those that would have collapsed but for extraordinary government assistance. And that, of course, means that we will be looking very specifically at institutions like AIG and Fannie Mae and Freddie Mac and Bear Stearns and Lehman and Citigroup and Goldman Sachs, even though some of them may dispute today whether or not they would have survived without the massive infusion – direct or indirect – into their coffers.

The Commission is really part of a long history in this country of establishing independent commissions on a nonpartisan basis to look at events of consequence for our nation. In the financial field, there is a legacy here of independent looks, a step away from the daily combat of politics and official government inquiry, hopefully to help shape policy and reform on a sustained basis going forward. This history reaches as far back as the Aldritch/Vreeland commission in the wake of the 1907 panic that ultimately led, six years later, to the creation of the Federal Reserve System. Of course, the commission that gets the most notoriety is one that had a tremendous impact on our thinking about what our financial system ought to be – the Pecora hearings in the 1930s. They were held by the Senate Banking committee, but named after Ferdinand Pecora, the general counsel to that committee – which always leads me to believe, or question as an elected official, what the heck the chairman of the committee was doing during those hearings. Gettin’ up late, perhaps; drinkin’ a little early, who knows? But Ferdinand Pecora was of great service to this country because he stripped the veil back on
Wall Street. He exposed the American people to a set of practices that when they saw them, the American people decided collectively that they did not want to see them again any time soon in their financial system.

As we begin our work, we take inspiration from what Pecora did, because it was plain and simple. It was an investigation that revealed real practices and real institutions carried out by real people. He marched in National City Bank; he marched in JP Morgan; he marched in Chase Manhattan; he marched in the New York Stock Exchange. And people saw a set of manipulations that they vowed that they would not see again. For decades we had a steady-state financial system, a balance of both innovation and regulation, which helped this country have a capital system that supplied capital for the creation of enterprises, and value, and job creation, and broadly-shared prosperity.

The other commission from which we take some inspiration is a more recent example, but not in the financial area. That was the 9/11 Commission, a commission born in extraordinary controversy but ultimately a commission with ten members of both parties, who made very clear findings about what happened, what led to our vulnerability to terrorist attack. We all remember, or many of us do of course, in the course of those hearings, hearing some very simple stories that told a larger story about America’s unpreparedness: the FBI agents reporting up the chain that there were foreign nationals learning to fly, not land, not take off, big commercial airliners, and no one listening. An August 6 memo going to the President of the United States saying Al Qaeda was committed to strike at this country, and by the way, there would be hijacked airplanes and buildings blown up in New York.

What the 9/11 Commission did was discover and then lay out the facts. And when they laid out the facts the American people came to a conclusion that this country was ill-prepared for the attack when the attack arrived. I hope in the course of our work, if we stay to evidence and if we stay to facts, and we lay out what happened, this story of the collapse of our financial system can be a cautionary tale that will form future judgments going forward.

We are now under way with our work. We’ve been bringing on our senior staff. Our investigation is rolling forward. We have offices here in DC and New York, and we are in full gear. So now we are going to conduct this inquiry. We’ve been given, I think, a very critical mission, one that has everlasting impact. Not to say that I see us as so important for the ages, but one that can’t be measured on what impact it has today or tomorrow, but for the long term. In fact, some people have asked me, “Since Congress seems to be moving ahead with reforms in the financial system, is the Commission of consequence to the American people?” Here is my answer: True reform does not come with a sweep of legislation alone. A single piece of legislation that creates a new regulatory box, in and of itself, is not enough. If you look back at the New Deal, the New Deal reforms were a product of many years’ discussion about what we wanted our financial system to be. I submit to you, we have regulatory bodies today. If we create a new systemic regulator, what’s important is how they look at the market place. What’s the political will? What’s the consensus of this country about the proper function of the
financial system? Ultimately, true reform is about cultures and values, about what is considered acceptable and optimal in the marketplace, and also about what commitment you have in the regulatory sector and what capability you have in the regulatory sector.

I believe that this discussion of reform is one that is not about to end but one that is just beginning. We’ve been given something as a task that’s very important, and it’s critical that we do it without partisanship of any kind because what has happened here has been of enormous consequence – with consequences both for Americans of all political stripes and, I would submit to you, also with likely culpability of Americans of all political stripes. It’s a daunting challenge but I think in the end it’s very clear what we are charged with: conducting a full and fair investigation in the best interests of the nation, pursuing the truth, uncovering the facts, and providing an historical accounting of what brought our financial system to its knees. I believe this accounting is desperately needed. The fact is, in the wake of 1929 people were throwing themselves out the windows on Wall Street. This year they’re lining up for bonuses. There has been no serious self-examination on Wall Street of what has occurred and what should be in the future. I liken it to someone who has had a significant heart attack, who is a bad eater, smoker, no exercise. Three weeks later they are feeling better, and the fact is that the fundamental problems still remain. So now, I believe, is the time for self-examination.

Often people talk about the financial crisis as if it’s something that just shook the halls or the streets in New York. But in fact, you and I know it’s not so much what happened 14 months ago, the freezing of credit in the country, that’s truly of consequence. It’s really what’s happened in the months since then to the American people. Nine million people have lost their jobs since the downturn. Twenty-five million people in this country are out of work, under-employed or have quit looking for work. Two million Americans have lost their homes. Ten million have been in the foreclosure process, and likely many more will face that same consequence. Not to speak of the Americans all over this country who, when they go back to work, go back for significantly lower wages than they earned before. My best friend from elementary school lost his job in the real estate industry. After nine months of not working, at age 56 he now has returned to a job that pays him thirty-two thousand dollars a year, raising with his wife two children on a fifty percent pay cut. This plays out all across this country.

There is a hunger on the part of Americans to know what happened. There is a hunger to hold people accountable. There is a hunger to ensure that the people who acted irresponsibly take responsibility.

Fourteen months ago there was a meltdown in the financial market. Our charge is to take a look at that implosion or explosion and to trace the fuses back to when they were lit and to give the American people the best sense of what occurred. If we do our work right, I think we’ll deepen the national dialogue about the need and the shape of reform. At this point, I think it’s fair to say, that we haven’t had that robust dialogue. We haven’t gotten to the heart of what we want our financial system to be. Do we want it to be a system that is in and of itself about making money? Or do we want it to be a capital system that in the end is the driving force that
helps create jobs and broadly shared prosperity?

How we do our work will be fundamentally important. First of all, it’s important that we proceed on the basis of facts and evidence, and not according to the opinions or political leanings of each of our commissioners. It means that in some thorny areas we will look at the facts. Some of you know there is very robust debate about the sub-prime area. Who led the meltdown? Was it the non-agency, non-regulated mortgage originators and securitizers across this country? Or was it Fannie and Freddie and the Community Reinvestment Act?

I submit to you that the facts will speak for themselves, that if we do our job, we will lay out for people what happened, when it happened and on what magnitude it happened. Secondly, we have an obligation to conduct this investigation with the same seriousness with which the 9/11 Commission conducted their investigation. They held 12 public hearings and we intend to hold public hearings all throughout next year, to lay out for the American people in very clear terms what happened at the institutions that they were called upon to rescue. The 9/11 Commission conducted 1200 interviews, and reviewed over 2.5 million pages of documents. I assure you we are going to undertake the same thorough type of examination. And I will say that it’s not really our job to engage in public posturing. People want a serious look at this matter. People often ask me, “Are you going to make criminal referrals?” We do have subpoena powers. We do have the right, and the ability and the authority to refer for criminal prosecution.

But I also submit to you that if all we do is find 30 perps and line ‘em up against the wall, we will have undersized the story. The truth is, and you and I know this, that much of what happened in the marketplace was not illegal. It was permitted, and not only permitted but exalted and applauded by society. You know, it wasn’t many years ago that Enron was America’s most admired corporation, where the CFO won CFO of the Year.

As we pursue our work we will pursue the trails of evidence. Our job is not, as we see it, to embarrass people but to produce facts. And if the facts embarrass people so be it. And if in fact they unveil wrongdoing, so be it.

Finally, I think it’s important when we undertake our investigation that we do it in a way that’s clear and relevant to the public. Wall Street is very adept at making things complex because it’s a good way of patting people on the head and saying, “Don’t worry, we can handle all this.” So CEOs, CLOs, RMBFs, credit default swaps, often things that seem to confuse even the brightest and most tuned-in of folks – we see our job as not to dumb down this story but to make it understandable, to bring to the American people a set of hearings and a report that they will want to read, that’s compelling, that’s understandable, and that will engage more Americans in a debate about our financial future.

So what, in the end, do we hope to achieve? There is much anger in this country, and rightfully so. The public’s trust in our financial system has been badly shaken. Many Americans who
abided by the rules now find themselves out of work, devastated by foreclosures, uncertain of their future prospects. There is a hunger to see that those who profited from irresponsibility take responsibility, for wrongdoers to be held accountable; but I really do believe that the most important thing that we can do is to shed light and not heat, to unveil what happened so that Americans can have a clear understanding of history so we do not repeat it. And what we do is to help foster the kind of deep debate about financial reform this country needs and deserves.

In the wake of the market crash of 1929 there was a whole generation of Americans who would never put their money at risk in what they saw as the casino of the stock market. The Dow Jones Industrials did not exceed its 1929 peak until 1954 – twenty-five years later. We can ill afford a similar, prolonged period of lack of trust. So, we hope that we can be contributors to people knowing more about what happened, contributors to fostering a deeper dialogue, and contributors to spurring a debate about what’s at the core of what’s wrong with our financial system today. I don’t really believe, and again, I will hold all my judgments until our work is done, that if we’d just passed regulation X or Y that all would have been ok. I really do believe we face a fundamental question of what we want our financial system to be. I hope we can do work that returns our financial system to one that is a supplier of capital for the creation of jobs and wealth for the American people once again. That’s my hope as we undertake this work and that’s my hope for what our country will grapple with in the months and years ahead.

Thank you so very much for having me here.

Phil Angelides is Chairman of the Financial Crisis Inquiry Commission. Mr. Angelides has earned national acclaim as an effective public and private sector leader with broad expertise and accomplishments in the fields of investor protection, finance, housing, and corporate and financial market reform. He has won widespread praise for his innovative work in urban reinvestment, smart growth and green investment. Mr. Angelides was elected California’s State Treasurer, serving from 1999-2007. The Associated Press reported that he made "the sleepy treasurer's office a policy powerhouse," and The Sacramento Bee praised Treasurer Angelides as "the most effective and dynamic state treasurer in a generation."