

Column: No more taxpayer-funded bailouts for Wall Street

By Congressman Tim Walz

In one of my recent conversations with small business leaders, I heard Mark Draper of Mankato Electric deliver a dead-on description of the “gulf of reality” between Wall Street and Main Street. Mark described how he would be allowed to fail if he made the wrong decisions in his business, but that harsh reality hasn’t been the case for Wall Street. He said: “That really concerns me, and we need to let these people (on Wall Street) know that they have to be accountable for their decisions, and if we are going to bail them out every time they are not going to be accountable.”

Mark is absolutely correct.

Now the time has come to close that gulf and restore some reality to Wall Street. I believe that America’s best days are still ahead of us, but it is essential that we emerge from this crisis with a financial system that is more stable and can support continued growth and prosperity for all Americans.

This past week, the Senate joined the House in passing the final version of landmark Wall Street reform and as the bill heads to the President's desk for his signature, I wanted to share with you some of the most important aspects of the legislation.

First, Wall Street reform will help ensure that hard-working taxpayers are never again asked to bail out Wall Street for their reckless decisions. I voted against President Bush's original Wall Street bailout in 2008, and opposed President Obama's attempts in 2009 to renew it because it was a raw deal for taxpayers. The next time a big bank's mistakes threaten the economy, there won't be a bailout, but an orderly liquidation process — and the CEOs will be the first to go.

Second, we reformed consumer protections for ordinary people who are being taken advantage of by greedy operators through deceptive financial products, hidden fees and predatory lending. Reform provides all of us with peace of mind by creating a tough new independent watchdog to look out for the interests of Main Street.

And I am proud that an amendment I offered to promote regular communication between the new consumer watchdog and Congress was included in the bill as well. That way, when experts identify the next sub-prime loan crisis, we will have the information to act before it becomes a threat to the entire financial system.

Third, working hard and one day owning your own home has been the American Dream for decades. For too long, irresponsible borrowers and lenders were able to build a house of cards that was bound to collapse. Wall Street reform restores the basic principles of sound lending and personal responsibility on both sides of the deal: Borrowers should not be able to take on more debt than they can handle and should be able to prove they will be able to repay the loan. Lenders must be more open about the fine-print of the terms and conditions of a loan.

Fourth, the opportunity for middle-class families to invest for retirement, a child's college education, and owning a home is what makes our American lifestyle the envy of the world. But cases like Bernie Madoff's \$65 billion Ponzi scheme illustrate that we need to do more to protect our financial security. Wall Street reform protects the casual investor by strengthening enforcement of our laws and putting more "cops on the beat."

Finally, it is just as important to understand who caused the problem as it is to understand who didn't. Our small, rural community banks and credit unions in Southern Minnesota did not cause this financial melt-down, and if any of them did get in trouble, they would be allowed to fail just like any other business. Wall Street reform focuses on fixing what's broken, not penalizing what has largely worked. That's why, by and large, our credit unions, community banks, farm credit system, and auto dealers in southern Minnesota should not see major disruptions in the way they do business on Main Street.

The good news is America is coming back and our future is bright. As we recover, we cannot afford to repeat the same painful mistakes. The new Wall Street reform law breaks from the failed economic policies of the past and embraces a new, more balanced approach.

We now have the tools to hold Wall Street accountable and ensure that you — the U.S. taxpayer — are never again asked to bail out Wall Street CEOs for their reckless decisions.