



IS THERE AN ANTIDOTE TO THE REPUBLICAN AMNESIA? CONGRESSMAN BARNEY FRANK

Memory eventually fails us all, but apparently the decline strikes one party far more than the other.

In recent weeks, my friends across the aisle have expended a lot of breath proclaiming that the Democrats caused the present financial crisis by failing to pass legislation to regulate financial services companies in the years 1995 through 2006.

There is only small one problem with this story – throughout this entire period the Republicans were in complete charge of the House and for the most critical years they controlled the House, the Senate, and the Presidency.

In the House of Representatives, the majority party has almost unlimited power over the minority party. The majority party owns the committee chairmanships; it controls what bills come to a vote; and it is under no obligation to consider the ideas of the beleaguered minority. When the Republicans were in the majority they ruled with an iron fist; it is no accident that Tom DeLay was known as “The Hammer.”

That is why I find it particularly flattering the Republicans now claim that in the years 1995 to 2006 I personally possessed supernatural powers which enabled me to force mighty Republican leaders to do my bidding. Choose your comic book hero – I was all of them.

I wish I had the power to force the Republican leadership to do my bidding! If I had had that power, I would have used it to block the impeachment of Bill Clinton, to stop the war in Iraq, to prevent large tax cuts for the extremely wealthy, and to stop government intervention into the private life of Terri Schiavo. Yet that power eluded me, and I was unable to stop those things.

According to the Republicans’ misty memories of the period before 2007, I allegedly singlehandedly blocked their determined efforts to regulate Fannie Mae and Freddie Mac, and my supposed intransigence literally caused the worldwide financial crisis.

Fortunately, we have tools to aid memory – pencil and paper, word processing, transcripts, newspapers, and the Congressional record. And as described in the most reputable published sources, in 2005 I in fact worked together with my Republican colleague Michael Oxley, then Chairman of the Financial Services Committee, to write a bill to increase regulation of Fannie Mae and Freddie Mac. We passed the bill out of committee with an overwhelming majority -- every Democrat voted in favor of the legislation. However, on the House floor the Republican leadership added a poison pill amendment, which would have prevented non-profit institutions with religious affiliations from receiving funds. I voted against the legislation in protest, though I continued to work with Mr. Oxley to encourage the Senate to pass a good bill. But

these efforts were defeated because President Bush blocked further consideration of the legislation. In the words of Mr. Oxley, no flaming liberal, the Bush administration gave his efforts 'the one-finger salute.'

The Republicans can claim some supposed successes despite my awesome power. In 1999 they passed the Gramm-Leach-Bliley Act, which overturned a Depression-era law preventing commercial banks from acting like investment banks. In 2000, they passed another bill which loosened regulation of derivative markets. I voted against these bills – but to no avail.

Under Republican President George W. Bush, many federal agencies turned a blind eye to activities which would later precipitate the global financial meltdown. The Securities and Exchange Commission decided to allow the nation's largest financial institutions to "self-regulate;" the Federal Reserve under Alan Greenspan declined to use its power to regulate subprime mortgages; the Comptroller of the Currency decided to preempt state consumer laws on subprime mortgages.

Meanwhile, President Bush himself demanded that Fannie and Freddie increase the percentage of subprime loans they purchased, supposedly because of his belief in an "ownership society." Incidentally, increased lending to subprime borrowers would also fuel astronomical profits by the financial services industry. I publicly opposed giving mortgages to unqualified borrowers because I believed that some families are better off renting.

Yet somehow none of this was recorded in the Republican collective memory.

Forgotten too is the significant progress that was made after the 2006 elections, when the Republicans in Congress were repudiated by American voters.

Ironically, this is the period in which I and my Democratic colleagues actually did possess the magical power needed to make real change in Washington – we became the majority party. In March 2007, just two months after I became the Chairman of the Financial Services Committee for the first time, I moved quickly to forge a bill which would regulate Fannie Mae and Freddie Mac. The bill passed the House in May, with all 223 Democrats voting for it, and 103 Republicans voting against it. President Bush later signed that legislation into law.

Later in 2007, I introduced legislation to restrict subprime mortgages. The bill passed the Financial Services Committee and the House, but it did not pass the Senate, where because of the filibuster rule, the Republican minority actually does have the power to hobble the majority. The bill passed the full House with all 227 Democrats and 64 Republicans voting for it, and 127 Republicans voting against.

Ironically, those Republicans who now attack me most viciously and whose memories are the most impaired were among those who voted against both bills.

Republicans also forget – or do not understand – that the present financial crisis has many fathers. The failure to pass any meaningful legislation before 2007 allowed unscrupulous actors to gorge themselves at the public's expense. Unregulated mortgage brokers sold subprime loans including the now infamous NINA (No Income No Assets). Major financial institutions packaged bad mortgages into securities and sold them as low-risk investments. Rating agencies gave stellar grades to toxic assets while being paid by the companies who stood to benefit from their actions.

Insurance companies like AIG issued Credit Default Swaps which magically turned toxic assets into gold.

The executives of some of those institutions now seek bonuses for their fine work. Perhaps my Republican colleagues should ask for bonuses too.

The true tragedy is that this is more than a game. Millions of Americans are now unemployed and millions of others have lost their homes. Well-run businesses have been shaken to their foundations, and the stock market has taken a plunge not seen since the Great Depression. Many people facing retirement have found their savings have been cut in half.

They say that those who forget history are doomed to repeat it. But the collective amnesia of the Republican Party will not only hurt its members – it threatens to hurt all of us. Is there a cure for amnesia? We can only hope.