Opening Statement of Senator Tom Coburn
"Wall Street and the Financial Crisis: The Role of Investment Banks"
April 27, 2010

I want to thank Sen. Levin for holding this fourth and final hearing into the financial crisis and the role of investment banks. I also want to thank the witnesses for making themselves available to answer our questions.

This hearing is particularly important because this week the Senate is considering major financial reform legislation that could have profound effects on our economy. In recent months, Congress and the American people have been debating the causes of our financial crisis and looking for solutions. Mr. Chairman, I commend you advancing this discussion with our examination of institutions like Washington Mutual and federal regulators, particularly the Office of Thrift Supervision.

What we have learned is that there are no easy answers. This is important to keep in mind when Congress debates major legislation. I certainly have my own views about what caused the financial crisis but most honest observers would acknowledge that the roads of responsibility lead to places like Washington and Wall Street. We also can't forget there were numerous causes to the financial crisis. In truth, we all took turns inflating the housing bubble.

Today, we are looking at the role of one investment bank: Goldman Sachs.

My goal is simply to uncover the truth of what happened in several of these transactions.

If we can understand this piece of the puzzle we'll be in a much better position to craft responsible legislation that addresses the real problem. And, more importantly, the American people will be better informed and more equipped to hold us accountable.

The investigation into Goldman Sachs has given the subcommittee an opportunity to dive into the firm's decisions regarding mortgage investments. Even though Goldman Sachs is the focus, I would suggest the questions we are going to ask the witnesses today also should be asked other leading investment banks. Congress has a responsibility to understand how widespread some of these complex financial transactions may be.

The key question before us, I believe, is whether Goldman Sachs was making proprietary trades that were contrary to the financial interests of their clients and customers. Sorting out these potential conflicts is central to understanding how we move forward with financial reform.

Several instances seemed to show bankers and traders were focused on *doing what was right for the firm*, rather than *what was in the best interests of clients*. In an exchange over the Abacus deal, one employee remarked: "The way I look at it, the easiest managers to work with should be used for our own [priorities]. Managers that are a bit more difficult should be used for trades like Paulson . . ."

Goldman employees knew that such tactics could hurt their reputation if they were ever uncovered.

Markets can be complex, but they are built on three simple concepts: truth, trust and transparency. Without them, the cost of doing business is too high, and markets cannot function properly.

I have several questions about these deliberations within Goldman Sachs. While I am committed to withholding final judgment until all of our hearings are complete, some of what we uncovered paints a dark picture of what was going on inside investment banks. To the witnesses I would say this is your opportunity to explain to us and the American people what happened.

Again, I thank you for being here and I look forward to your testimony.