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Roosevelt Institute Statement on Omnibus Spending Bill: Dodd-Frank Changes Would Put Economy and Taxpayers at Risk

Roosevelt Chief Economist Joseph Stiglitz and Other Fellows Oppose Repeal of Section 716 Derivatives Ban

New York, NY: As Congress enters final negotiations over a must-pass budget bill, a critical component of financial reform hangs in the balance. Wall Street lobbyists have pushed for a number of provisions in the spending package that would weaken regulation. One such provision would repeal section 716 of the Dodd-Frank Act, which bans federally insured banks from participating in the kinds of risky derivatives deals that led to the 2008 financial crisis.

“Section 716 facilitates the ability of markets to provide the kind of discipline without which a market economy cannot effectively function," said **Joseph E. Stiglitz, Roosevelt Institute Chief Economist and Nobel Laureate**, who wrote a letter to the Senate in support of 716 when it was up for debate in 2010. "I was concerned in 2010 that Congress would weaken 716, but what is proposed now is worse than anything contemplated back then. If Congress repeals this regulation of dangerous over-the-counter derivatives and swaps, the U.S. economy will be vulnerable to the same kind of financial risks that triggered the Great Recession."

“The debate over derivatives is not just a technical issue,” said **Felicia Wong, President and CEO of the Roosevelt Institute**. “This attempt at repeal is a case study in how Wall Street rewrites the rules of the game to redistribute wealth from average Americans to the top 0.1 percent – this time doing so without a real public debate on the issue. If Congress repeals these reasonable derivatives rules, taxpayers will once again be subsidizing Wall Street’s gambles while traders will take home the rewards.”

“It is crazy to put the public on the hook for banks' derivatives trading. Derivatives embody everything that the FDIC was designed not to insure,” said **Damon Silvers, a Senior Fellow at the Roosevelt Institute**.

"In the aftermath of the crisis of 2008, I believe this amendment will provoke cynicism and ridicule from the public, heighten anxiety among the American people, and reduce their confidence in governance. While it is understandable that banking lobbyists would want greater subsidies for their own activities, I believe it is tantamount to undoing the lessons learned from the financial crisis and should be resisted vigorously," said**Roosevelt Institute Senior Fellow Robert Johnson**.

“It is irresponsible for Wall Street banks to hold the federal budget hostage in order to extract concessions that would allow them to gamble with taxpayer money," said **Roosevelt Institute Fellow Saqib Bhatti, Director of the ReFund America Project**. "We should be strengthening banking regulations to ensure that taxpayers never have to bail out banks again instead of giving banks taxpayer subsidies to dive back into the same practices that crashed the global economy in the first place."

"The major banks have been unable to produce credible living wills describing how they can go through bankruptcy without tearing down the system. There is no world in which these banks will be closer to achieving this crucial goal by cramming themselves full of even more exotic types of derivatives," said **Roosevelt Institute Fellow Mike Konczal**. "716 already went through a series of compromises during the Dodd-Frank negotiations, and to undermine it further is a serious mistake."

About the Roosevelt Institute
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