



**Opening Remarks of
Chairman Phil Angelides
at the Financial Crisis Inquiry Commission Hearing on
“Too Big to Fail: Expectations and Impact of Extraordinary Government Intervention and the Role of
Systemic Risk in the Financial Crisis”
Washington, D.C.
September 1, 2010**

Good morning. I’m honored to welcome you as we open the last in a year-long series of public hearings held in Washington and in New York examining the causes of the financial and economic crisis that has gripped our nation. Sadly, while the facts of this crisis may appear clearer through our rear-view mirror, the trauma is by no means behind us. Our country continues to struggle.

The statistics make it clear: too many people are searching for jobs, trying to hold onto their homes, and praying they can salvage teetering businesses. As we wind up our investigation and assemble our findings, this commission is determined to peer behind these painful statistics

and to help the American people understand how this calamity came to be.

Beginning next week, we will hear from some of the people who have been most devastated by the crisis in communities around the United States. We will hold a series of four field hearings in the home towns of some of the commissioners to learn more about how the seeds of this crisis were sown on the ground. The commission will be in Bakersfield on September 7; Las Vegas on September 8; Miami on September 21; and Sacramento on September 23.

We'll be looking at a range of issues from mortgage fraud and predatory lending practices, to the struggles of community banks and the fallout of this financial collapse on neighborhoods and small businesses.

Since our first public hearing, we've been on a journey together, following the evidence wherever it has taken us. We have puzzled over the same questions that most Americans have asked, trying to figure

out how a web of events that ensnared Wall Street came to strangle Main Street. Today we're going to examine how a set of major financial institutions became too big to fail, and why the government decided to spend trillions of taxpayer dollars to salvage some of those institutions, and the financial system as a whole.

What we know from history is that taxpayers should feel at risk when major financial firms veer towards collapse. For decades following the Great Depression, government intervention was rare. But since the 1970s, bank bailouts have become more frequent and costlier. What began in 1974 with Franklin National Bank grew into a longer list of bank rescues through the 1980s and 1990s: First Pennsylvania Bank; Continental Illinois; First City; First Republic Bank; MCorp; and the Bank of New England.

It now seems almost quaint that these institutions were once considered too big or too important to fail. Today we have megabanks of a scale unimagined a generation ago. The combined assets of the

five largest banks in the country tripled in size between 1998 and 2007, leaping from \$2.2 trillion to \$6.8 trillion. The 10 largest banks expanded their share of assets in the banking industry from 25 percent to 55 percent between 1990 and 2005. And prior to their collapse, Fannie Mae and Freddie Mac held or guaranteed assets of approximately \$5 trillion.

Time and again we have watched as financial institutions have taken on more risk, used more leverage, and chased bigger profits. When things have unraveled, taxpayers have been handed the bill and warned that they must save the nation's financial system from perils created by the offending banks. To my mind, we have been living in a kind of "Financial Groundhog Day": We vow to wake up and change course, and then we repeat what we've done before.

Many people have asked this commission whether the government during the most recent panic did the right thing to toss flotation devices to major financial firms while most of America took on water. The real

question before us is: How did we end up with only two choices – either bail out the banks, or watch our world sink?

Many Americans believe that reckless financial institutions and greedy executives made appalling bets and came away not just unpunished, but with a windfall of cheap capital that made them even more profitable. They remain justifiably infuriated that top executives pocketed big bonuses with taxpayer money. And they rightly worry that the largest surviving financial firms are not just too big, but now too big and too few to fail.

Over the next two days we're going to hear from witnesses who will answer questions about how and why these financial institutions were allowed to grow and take on so much risk. We're going to explore how the financial system became increasingly interdependent and interconnected. We're going to learn more about how the government grappled with the crisis and then determined why certain banks and not others were deemed "too big to fail." And we will explore whether

the expectation of bailouts at taxpayer expense served to encourage greater risk-taking by the financial sector.

As we begin this hearing, let me note that the commission staff has produced another in a series of excellent background reports, located at the website FCIC.gov. The report dissects the governmental rescues of financial institutions during the decades leading up to the crisis that we are probing today.

In closing, before I turn the microphone over to Vice Chairman Bill Thomas, let me thank him for all his hard work and cooperation. Let me also commend Commissioners Holtz-Eakin and Georgiou for taking the lead on this hearing.