Remarks of Eugene A. Guilford, Jr., June 8, 2012, Washington, D.C. at the Press Conference called by Congressman Barney Frank Concerning the CFTC Budget

Independent Connecticut Petroleum Association & Education Foundation

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President, ICPA
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Press Conference with Congressman Barney Frank

Congressman Frank, Congressman Larson, Congresswoman DeLauro, Brooksley Born and Members of Congress with us today.

Four years ago the Chairman of the Federal Reserve and then Secretary of the Treasury Paulson came to Capitol Hill to meet with Congressional leadership and informed them that, unless legislation was passed in the next few days, the banking system of the United States would seize up and the economy of the United States would revisit a depression unlike anything seen since the 1930's.

Wall Street had taken America for a joyride, and an economic collapse of historic proportions needed to be stopped before it got worse.

Our government's reaction to this startling request was to spend, lend or guarantee some $12 trillion in an attempt to stop what Chairman Bernanke and Secretary Paulson warned would happen. Still, caused by the reckless and irresponsible behavior of Wall Street, millions of Americans lost their jobs. Hundreds of thousands lost their homes and businesses. Every American household has been touched by this crisis as homes lost their value and the value of pensions and 401k plans plummeted. Businesses could not borrow money to finance their operations.

In an attempt to ensure this calamity would not occur again, and to arrest some of the reckless and irresponsible behavior from Wall Street that led to this crisis, the Dodd-Frank financial services reform act was passed. This law and the rulemakings at the CFTC and SEC, among others, are necessary to protect the American economy, the soundness of the nation's financial system, the American consumer and American taxpayers.

Congressman Frank is correct. Wall Street's actions since the passage of Dodd-Frank have been to flood agencies with comments on every rulemaking, litigate rulemakings to block their implementation, and then complain about the uncertainty of the outcomes of rules and impacts on the economy. It is as though Wall Street hopes America has amnesia about what happened since the collapse of Lehman Brothers forward and all that went with it.

The debate in this city should not be only about the impact of regulations on the economy, but should also be about what the absence of regulations allowed to happen in this crisis visited on and paid for by the American people.

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The Commodities Futures Trading Commission, in one rulemaking on position limits alone, faced more than 15,000 comments and then was sued in federal court to block the rule by two associations representing the financial services industry.

Between mid-December, 2011 and early April, 2012, the Wall Street gasoline contract increased in price by 92c a gallon – from $2.48 up to $3.40. This massive increase cost American consumers more than $8 billion per month in higher gasoline costs. Now that prices are coming down, Wall Street's reaction to the run-up in commodity costs was to admit the frantic buying in gasoline contracts had been ***"overdone,"*** and that Wall Street was ***"backpedaling from the hysteria of February and March."***

Was this massive Wall Street tax on American consumers due to supply and demand? No.

Americans have reduced their demand for gasoline over the past four years and by 2.5% in 2011 alone. The Department of Energy's Energy Information Agency reported that domestic gasoline inventories were at the upper end of their five-year averages. In fact, for the first time since 1950, the United States became a net exporter of refined petroleum products. There was no supply and demand issue in these gasoline cost increases.

The payroll tax cut passed by this Congress to help Americans each week, if only by a small amount, was effectively wiped out by higher gasoline costs caused by the "overdone" excessive speculative trading from Wall Street.

These massive increases in gasoline commodity costs were driven by excessive speculation, the very excessive speculation that the CFTC's position limits rule is designed to restrain.

This small agency of only 600 people is given the responsibility for overseeing a $600 trillion derivatives market and further, to oversee the activities of Wall Street in the commodity markets and to restrain excessive speculation. Yet, some on the House Appropriations Committee want to cut the budget of this agency and weaken its ability to enforce the oversight laws necessary to protect the American people.

On just the matter of JPMorgan Chase alone, this one bank's notional value of its derivatives business exceeds $70 trillion – roughly the size of the economies of every nation on earth. Blaming the CFTC for "missing" a $2-4 billion loss on one trade and using that as an excuse to cut the CFTC's budget is horribly counterproductive.

If any of the appropriators had ever been mayors or city managers and faced crime in their communities the last thing they would do would be to cut the size of the local police force. Yet, this is exactly what cutting the budget of the CFTC would do – weaken the federal government's ability to protect our citizens.

We deeply appreciate the leadership of Congressman Frank and others in Congress and are proud to join those who support the President's call for increasing the budget of the CFTC and in rejecting House Appropriations' cuts in this agency's budget as destructive and ultimately placing the American consumer at greater risk for more of Wall Street's reckless and irresponsible behavior.