

Opening Statement
Ranking Member Sherrod Brown
Senate Banking Committee Hearing on
“Legislative Proposals on Capital Formation and Corporate Governance”
February 28, 2019

Thank you Chairman Crapo, and welcome to our witnesses.
Today’s hearing allows Committee Members to discuss legislation they worked on in the last Congress.

We need to look at these bills – and any bills that come before this committee – with one question in mind: are they good for workers, or just good for Wall Street?

Last year when we considered many of these bills, I asked whether any of the previous efforts to roll back securities laws had boosted investment in workers or created more jobs, if our enforcement efforts were keeping up with fraud, and if shareholders’ ability to hold management accountable was under attack. I still have those questions.

When I look at the list of today’s bill, I see a lot of roll backs and very little protection for ordinary investors. In fact, when I hear some people say we need these bills to facilitate capital formation, I’m not sure what problem they are trying to solve.

The capital markets seemed to work just fine last year—

- 2018 was the best year for IPOs since 2014;
- Biotech IPOs reached an all-time record; and
- Venture capital investment also hit a record.

Market watchers expect 2019 to be even better. Household names like Uber, Lyft, Pinterest, and AirBnB, just to name a few, are planning to go public.

Our time would be better spent making sure the workers at companies like Uber are getting the wages and benefits they’ve earned and are treated like real employees, rather than letting companies cut corners on their accounting controls.

And if we want to support American businesses, those companies and the market overall would benefit more from avoiding another Trump shutdown that closes the SEC for a month than from passing all of these bills.

There are other bills that seek to make changes that agencies are already working on. In one case, regulators addressed the issue over five years ago.

A couple of the bills take controversial positions that would undermine critical post-crisis reforms that keep our financial system stable, and that would restrict the U.S.'s participation in international insurance regulation discussions.

It's always the same story – Congress and this administration bending over backward to figure out how they can make life a little easier for Wall Street.

Instead, this Committee should look at how we can better protect ordinary American investors who are saving for retirement. We should be working on ideas to end Wall Street's shortsighted obsession with short-term stock prices, so that when companies grow, their workers' wages actually grow along with them.

Earlier this month, 11 former senior SEC economists wrote to the agency to say its proposed best interest rule had “weak and incomplete” economic analysis—that can have a real impact on American families. That warning should be a red flag for this Committee, and we should call on the SEC to explain.

Meanwhile, corporations announce more billion dollar stock buybacks and cost-cutting that always have the same result – more money for corporate executives, less money in workers' paychecks – if they're lucky enough to keep their jobs.

Companies would rather engage in financial engineering than investing in the workers who make them successful. Earlier this week, Fed Chair Powell told this Committee that increasing investment in worker skills and training are vital to our economy.

But what are corporations doing instead? Spending money on buying back their own stock to line executives' pockets. And the Committee stands by and either does nothing, or makes their work easier.

Some of the proposals we will discuss today improve transparency. Senator Reed's bill would promote more disclosure on cybersecurity. Senator Van Hollen's proposal would require the SEC to consider ways to prevent trading abuses by corporate insiders. These are improvements that help investors and promote fairness.

I want to hear from our witnesses other areas where transparency is possible, where we can do more to protect consumers in an increasingly complex market, and what risks are lurking out there that could cause another crisis or devastate working families.

If we can focus on bills that make improvements in those areas, workers will benefit, investors will help companies grow, and the economy will expand.

Thank you, Mr. Chairman.