BIG BANK TAKEOVER

How Too-Big-To-Fail's Army of Lobbyists Has Captured Washington

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Kevin Connor is a co-director of the Public Accountability Initiative, a nonprofit organization working to facilitate and produce investigative research that supports strategic community action and empowers citizens to hold their leaders accountable.

The Institute for America's Future is a center of nonpartisan research and education that provides Americans with the tools and information needed to challenge failed conservative policies and build support for the progressive vision of a government that is on the side of working people.

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I. Introduction

Throughout the financial reform debate, the finance industry has waged an unprecedented assault on the democratic process, spending an estimated $1.4 million per day to influence Congress and hiring 70 members of Congress and 940 former federal employees to lobby on their behalf.[i]

The six biggest banks – **Goldman Sachs, Bank of America, JPMorgan Chase, Citigroup, Morgan Stanley, and Wells Fargo** – account for a disproportionate share of this activity. In the two years since the first federal bailout of a big bank (Bear Stearns), these banks and their principal trade associations have hired over 240 former government insiders as lobbyists and spent hundreds of millions of dollars on an influence game designed to thwart reform, shape bailout programs and maintain their status as "too-big-to-fail" institutions.

The big banks have employed an unrivaled network of in-house lobbying teams, hired guns, industry associations, front groups and behind-the-scenes influence peddlers with deep connections to Congress and the Obama administration, including the leadership of the House Financial Services Committee, the Senate Banking Committee, the Treasury Department, and key regulatory agencies.

The lobbying spree is taxpayer-funded – it follows $160 billion in bailouts from Congress[ii] and trillions in cheap loans from the Federal Reserve.[iii] And as their influence has come to be viewed as increasingly toxic in Washington, the banks have shifted segments of their political activity to a "shadow lobby" that includes such front groups as the U.S. Chamber of Commerce.

Many of the current big-bank lobbyists were architects of the too-big-to-fail banking regime while they were employed in Congress or elsewhere in the federal government, and they are now drawing lucrative salaries from the banking behemoths they helped create. Now, on a range of issues, the big banks' armies of lobbyists have scored victories that assure the continued existence of Wall Street's casinos, despite the threat they pose to the American economy.

Findings from the report:

- **243 lobbyists for six big banks and their trade associations** used to work in the federal government – 202 in Congress, the rest in the White House, Treasury, or at a relevant federal government agency. That's equivalent to **40 revolving-door lobbyists per bank.**[iv]

- This includes **33 chiefs of staff, 54 staffers to the House Financial Services Committee and Senate Banking Committee** (or a current member of that committee) and 28 legislative directors. Many of the revolving door lobbyists were key architects of financial deregulatory legislation during their time as congressional staffers, including the Financial Services Modernization (Gramm-Leach-Bliley) Act of 1999 and the Commodity Futures Modernization Act.

- The six big banks and their trade associations have spent close to **$600 million** since the first major federal bailout of Bear Stearns in March 2008 on lobbying, trade association activity and political contributions.

- **Citigroup employs 55 revolving-door lobbyists**, more than any other big bank or financial industry trade association. The federal government was until recently Citigroup's largest shareholder. Other banks are also employing huge lobbying armies: Goldman Sachs with 45, JPMorgan Chase with 32, Morgan Stanley with 19, Wells Fargo with 14, and Bank of America with 12. The top big-bank lobbies, the Securities Industry & Financial Markets Association and the American Bankers Association, have hired 84 revolving-door lobbyists.

- **The top big-bank lobbying firm in Washington is Elmendorf Strategies**, founded by Steve Elmendorf, former chief of staff to Rep. Dick Gephardt. Elmendorf's financial team includes former top staffers to Senate Majority Leader Harry Reid, Maryland Sen. Paul Sarbanes, and Gephardt. The firm represents the most powerful Wall Street banks and associations, including Citigroup, Goldman Sachs, the Financial Services Forum, and the Securities Industry and Financial Markets Association. Other top lobbying firms include the Podesta Group and Porterfield, Lowenthal, & Fettig.

- Senate Banking Committee chair **Christopher Dodd (D-CT)** leads all current members of Congress, with five former staffers now working as big bank lobbyists. Banking Committee ranking member **Richard Shelby (R-AL)** and members **Chuck Schumer (D-NY) and Tim Johnson (D-SD)** each have four.

- **Big banks are hiding lobbying activities in a burgeoning shadow industry** of generic business associations, ad hoc coalitions and front companies. Government bailouts and partial federal ownership have made it difficult for big banks to ramp up direct lobbying; instead, they are routing their dollars through this shadow lobby.

- **Sullivan & Cromwell**, the firm defending Goldman Sachs in its Securities and Exchange Commission fraud suit, secured the **most lucrative big bank lobbying contract in 2009**, a $520,000 deal with Clearing House Payments Co. – a company owned by JPMorgan Chase, Wells Fargo, Citigroup, Bank of America, and several other banks. The firm also lobbied on behalf of Goldman Sachs during the same period. In a past financial reform fight, lawyers at Sullivan & Cromwell lobbied on behalf of Enron, and appear to have helped craft the "Enron loophole."

I think they were wrong.

President Bill Clinton on Larry Summers and Robert Rubin, and their advice about derivatives regulation during his administration, April 19, 2010[v]

II. Prologue: The Architects of Too-Big-To-Fail

Washington's luminaries cheer the signing of the Financial Services Modernization Act in 1999 in a rare moment of bipartisan bliss. Ken Bentsen, at the time a member of the House Financial Services Committee and now one of Washington's top big bank lobbyists, keeps a framed photograph of the signing in his office.[vi]

The decades-long process of financial deregulation first gathered steam during the Reagan administration, but the campaign to relieve Wall Street of sensible rules and regulations was eventually taken up by both parties. Two major pieces of deregulatory legislation were the products of rare bipartisan consensus during the Clinton years: the Financial Services Modernization Act of 1999 (Gramm-Leach-Bliley, or GLB) and the Commodity Futures Modernization Act of 2000 (CFMA).

While they certainly weren't the only pieces of legislation to strip away banking regulations, they were key milestones on the road to a banking sector that was too big – too destructive – to fail. Both bills were deregulatory bonanzas for the banks, containing many sought-after provisions, but they led directly to the growth of the too-big-to-fail banking sector in two primary ways:

> **1. The Explosion of Derivatives.** The Commodity Futures Modernization Act freed derivatives from meaningful regulation, paving the way for the proliferation of these "weapons of mass destruction," as Warren Buffett has famously called them. Derivatives ultimately concentrated risk at places like AIG and necessitated 2008's massive government bailout of the financial sector.

2. The Growth of Megabanks. By stripping away certain Depression-era banking protections, the Financial Services Modernization Act led to the growth of massive banking conglomerates such as Citigroup, which lobbied heavily for the legislation. Citigroup is in the worst shape of all the big banks, and has required the most government action: the U.S. government became the bank's single biggest shareholder in early 2009.

Many of the government officials who played a key role in crafting and passing this legislation later went on to take lucrative jobs in the too-big-to-fail banking sector that they had helped create. Clinton Treasury Secretary Robert Rubin became the poster boy for this revolving-door activity, earning $126 million over 10 years at Citigroup without having "operational responsibilities."[vii]

In the current financial reform fight, many of chief architects of "too-big-to-fail" are now lobbying for the big banks – and drawing much larger paychecks than they did while serving in government. Two of the most powerful members of Congress during this period, former Democratic House Minority Leader Dick Gephardt and Republican Senate Majority Leader Trent Lott, are now lobbying on behalf of the big banks. Remarkably, their offices have spawned 16 big-bank lobbyists. Gephardt's chief of staff, Steve Elmendorf, is now the top big bank lobbyist in Washington.

Dick Gephardt on the left and Trent Lott on the right. In between, their former aides who are now big-bank lobbyists: Shanti Stanton, Andrew Lewin, Izzy Klein, Robert Cogorno, Sharon Daniels, John David Hoppe, Thomas O'Donnell, and Steve Elmendorf. Not pictured: Marti Thomas, Henry Gandy, Amy Swonger, Christine Burgeson, David Crane, Manny Rossman, Richard Sullivan, and David Jones. Their clients include the American Bankers Association, Bank of America, Citigroup, Goldman Sachs, Wells Fargo, Financial Services Forum, the Securities Industry and Financial Markets Association, and the U.S. Chamber of Commerce.

III. Anatomy of the Big-Bank Lobby

The big-bank lobby stretches far beyond in-house government relations team and well-networked CEOs; it is an entire industry unto itself. Since the first federal bailout of a big bank, the Federal Reserve's back-door rescue of Bear Stearns in March 2008, the six big banks and their primary trade associations have spent an estimated $600 million on spending designed to increase their political influence. Taxpayer funds and free money from the Fed have subsidized these activities throughout this period.

The big-bank lobby has four components: in-house lobbying operations at each of the banks, hired hands at outside lobbying firms, industry associations to which the big banks belong, and a growing shadow lobby of shell companies and front groups. These lobbyists use a variety of tools to exercise their influence: simply calling on people they know in Congress or elsewhere in government, throwing fundraisers for and donating money to members of Congress, and issuing policy proposals that shape legislative debates.

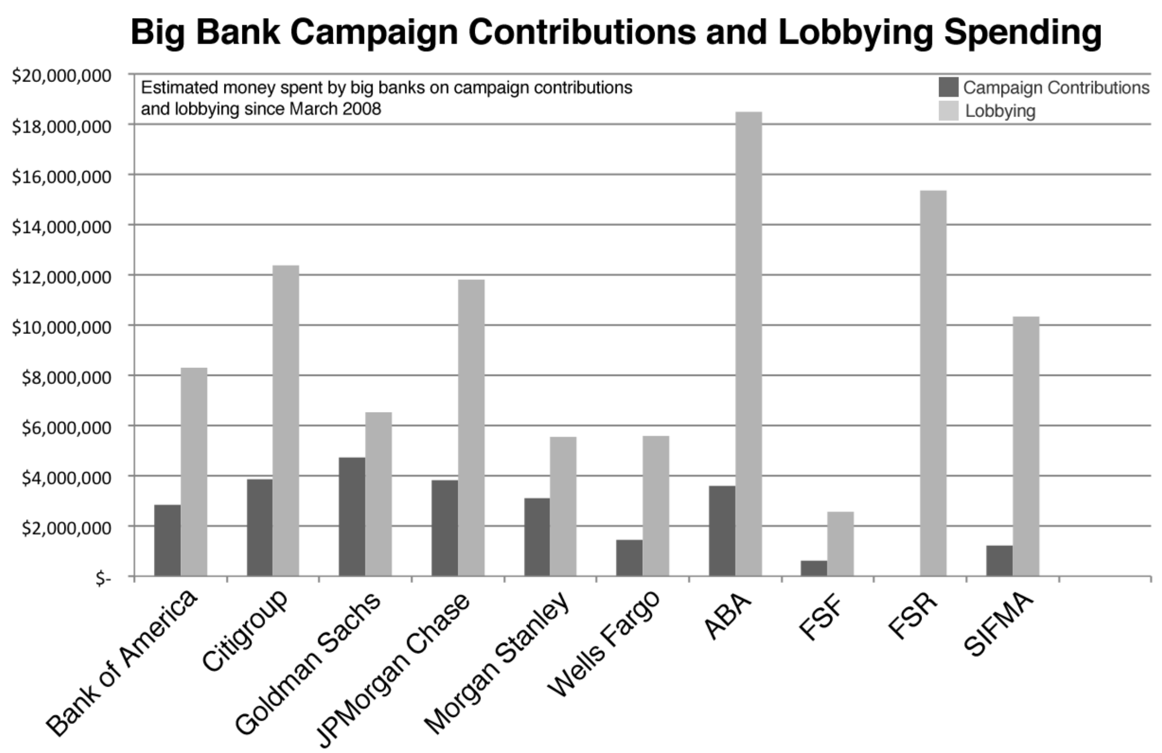
Spending By The Six Biggest Banks and Their Trade Associations, 2008-2009

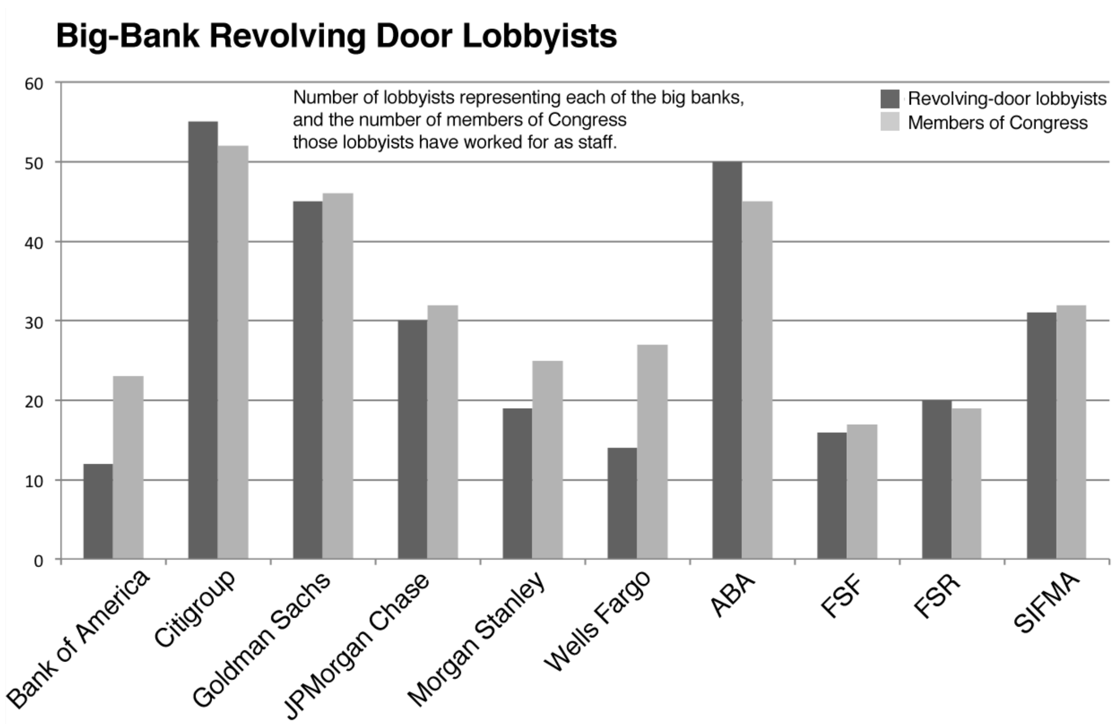
Source	Amount
Lobbying by Six Big Banks	$49 million
Campaign Contributions by Six Big Banks	$19.8 million
Industry Association Spending (including lobbying)*	$526 million
Campaign Contributions by Industry Associations	$4.7 million
Total	$599.5 million

** Estimate based on 2008 expenditures by the American Bankers Association, SIFMA, the Financial Services Roundtable, the Financial Services Forum, the Futures Industry Association, the International Swaps and Derivatives Association, and the Consumer Bankers Association.*[viii]

In-house Government Relations Teams. Each big bank has a core team of in-house lobbyists, many of whom have previous experience as government officials in Washington. This in-house team lobbies Congress directly, but also coordinates with outside lobbying firms and industry associations to help push the bank's agenda. In-house lawyers and top-tier bank executives also work with these lobbyists to shape policy proposals and leverage the bank's ties to government. (This will be covered in greater depth below.)

Hired Hands. These lobbyists typically work at either boutique lobbying firms that specialize in banking issues or at a larger firm with a range of clients. They often work with multiple large banks and industry associations to push Wall Street's agenda on the Hill.





These charts show how much money major financial institutions are spending on lobbying, the number of revolving-door lobbyists represent each bank and trade association, and the number of members of Congress that have relationships with these lobbyists.

Industry Associations. The six big banks belong to a range of industry associations that work to build their collective influence in Washington and elsewhere. The two largest lobbies are the American Bankers Association (ABA) and the Securities Industry and Financial Markets Association (SIFMA), which spend nearly $200 million per year. The banks or one of their subsidiaries are also members of the following associations:

Spending by Finance Industry Trade Associations[ix]

Industry Association/Trade Group	**Annual Expenditures** (based on 2008 data)
Securities Industry and Financial Markets Association	$99 million
American Bankers Association	$86 million
Investment Company Institute (mutual funds)	$57 million
International Swaps and Derivatives Association (ISDA)	$37 million
Financial Services Roundtable	$17 million
Futures Industry Association	$14 million
Managed Funds Association (hedge funds)	$11 million
Consumer Bankers Association	$7 million
Financial Services Forum	$4 million
Total (including hedge fund & mutual fund associations)	$331 million

Though two of these associations specialize in catering to non-bank entities – mutual funds and hedge funds – big banks and their subsidiaries are members of them and have representatives on their boards. Bank associations cater to many members, but tend to be dominated by bigger banks.

The banks' industry associations have recruited some of the top bank-lobbyist talent in Washington. SIFMA's D.C. lobbying operation is headed by Ken Bentsen, formerly a member of Congress on the House Financial Services Committee. Bentsen joined SIFMA in 2009. The Financial Services Roundtable is headed by former Representative Steve Bartlett, who was on the House Banking Committee. Bartlett made $1.6 million in 2008.

The Shadow Lobby. The big banks also work with large business associations, ad hoc coalitions and front companies in order to pool their resources and disguise their influence. This will be detailed at greater length in the fourth section.

JPMorgan Chase

JPMorgan Chase CEO Jamie Dimon sometimes refers to lobbying as the bank's seventh line of business, urging executives to make frequent trips to Washington and flex their political muscle in states where they operate. His motivation is clear: He recently stated that his bank could stand to lose $2 billion as a result of derivatives regulation.

The bank's top government relations executive and in-house rainmaker is William Daley (pictured), former Clinton official, brother of Chicago mayor Richard Daley and co-chair of the Obama inauguration. The bank's top registered lobbyist, Democratic insider Peter Scher, reports to Daley. Scher was a top Democratic staffer during the Clinton years, serving as chief of staff to Sen. Max Baucus, then to Mickey Kantor at the Department of Commerce. Scher worked at Mayer Brown during the Bush years and was an important Democratic lobbyist for the Central American Free-Trade Agreement. Scher's team includes Naomi Camper, formerly a banking aide to Sen. Tim Johnson; Katherine Childress, formerly a Senate Banking Committee staffer; Steven Patterson, formerly a banking staffer to Sen. Jim Bunning; and Rob Griner, former staffer to Reps. Martin Frost and David Scott.

Citigroup

Citigroup CEO Vikram Pandit recently thanked the American people for their help – the U.S. government became Citigroup's largest shareholder in early 2009 – but has yet to pull the plug on the company's taxpayer-funded lobbying operation.

Head lobbyist Nick Calio was formerly a top congressional liaison for both Bush presidents and played a crucial role in passage of Iraq war authorization. He was the Republican arm of powerhouse lobbying firm O'Brien-Calio during the Clinton administration, and was hired by big business to lead the lobbying fight for major battles in the 1990s, including the North American Free-Trade Agreement, fast-track trade authority, and expanded trade with China.

Calio's team includes Robert Getzoff, the former senior counsel to then-Rep. Rahm Emanuel; Paul Thornell, a former top aide to Tom Daschle and Al Gore; Heather Wingate, formerly chief of staff to Sen. Sam Brownback; and Robert Schellhas, former chief of staff to Rep. Robert Portman.

Including hired guns, Citigroup employs 55 revolving-door lobbyists.

These lobbyists for Citigroup...

Pictured: *Alexander Beckles, Tara Bradshaw, Charles M Brain, John Breaux, Nicholas Calio, Robert Cogorno, Steven Elmendorf, Labrenda Garrett-Nelson, Gary Gasper, Nick Giordano, Richard Grafmeyer, Lindsay D Hooper, Brant Imperatore, Sujey Kallumadanda, Kristina Kennedy, Joseph M Kolar, Barry Lasala, Trent Lott, William McKenney, Richard Meltzer, Joseph Mikrut, Raymond Natter, Jimmy Ryan, Beau Schuyler, James C Sivon, Maura Solomon, Shanti Stanton, Jonathan Talisman, Tim Urban, Lawrence G Willcox, Adam J Wojciak.* ***Not pictured:*** *Stacey Alexander, Robert E Barnett, Holly Bode, John L Doney, Ben Dupuy, Mitchell Feuer, Francis Grab, Christopher Javens, Dave Koshgarian, Heather Meade, Jeff Petrich, Anne Phelps, Peter Rich, Manny Rossman, Robert M Rozen, Alexander Sternhell, Amy Swonger, Michael D Thompson*

used to work for these members of Congress or government officials:

Brockman Adams, Chester Greenough Atkins, Richard Hugh Baker, Xavier Becerra, Clarence J Brown Jr, George H W Bush, Maria E Cantwell, Ben Cardin, Rodney Dennis Chandler, Dick Cheney, Philip Miller Crane, Chris Dodd, Dennis Edward Eckart, Michael B Enzi, Geraldine Anne Ferraro, Wendell Hampton Ford, Vito John Fossella, Bill Frist, Dick Gephardt, Chuck Grassley, Walter William Herger, Amory Houghton Jr, Steny Hamilton Hoyer, Sam Johnson, John Kerry, Gerald Kleczka, Jon Kyl, Frank Lautenberg, Jim Leach, Sander Martin Levin, Trent Lott, James David Matheson, Robert Takeo Matsui, Mitch McConnell, Mike McIntyre, George John Mitchell, Patty Murray, Nancy Pelosi, Earl Ralph Pomeroy III, Harry Reid, Charlie Rose, Paul Spyros Sarbanes, Jeff Sessions, James Michael Shannon, John S Tanner, Ed Towns, Malcolm Wallop

Bank of America

Bank of America's in-house lobbyist team is headed by John Collingwood, formerly the FBI's congressional liaison and a top official under three different FBI directors. While at the FBI, Collingwood was responsible for cleaning up after such public relations and accountability disasters as the Waco, Texas incident. After retiring, he became a top lobbyist for credit card company MBNA, and played a major role in passing 2005's bankruptcy reform bill. When Bank of America bought MBNA, he became the bank's top lobbyist, and brought other credit card lobbyists with him.

Bank of America's top hired guns include lobbyists at the Podesta Group (profiled in the next section).

Goldman Sachs

Sometimes called "Government Sachs," the revolving door between Goldman Sachs and Washington has received special attention over the past two years. Bush Treasury Secretary Henry Paulson was previously CEO of the bank; Treasury Secretary Tim Geithner's chief of staff, Mark Patterson, was formerly a lobbyist there; several other top Obama administration officials used to work there, including Commodities Futures Trading Commission chair Gary Gensler.

Goldman maintains a formidable lobbying team, even with all of these connections. Head lobbyist Faryar Shirzad joined the bank after serving as a top national security and international economics adviser to President Bush. He coordinated trade policy for the Bush-Cheney Transition Team in 2000, and was previously a top international trade adviser to the Senate Finance Committee.

His team includes Michael Paese, formerly a staffer to Rep. Barney Frank at the House Financial Services Committee; Joyce Brayboy, former chief of staff to Rep. Mel Watt; and Eric Edwards, former counsel to the House Financial Services Committee. Hired guns include Dick Gephardt and many of his former staffers, as well as lobbyists at the Duberstein Group.

These lobbyists for Goldman Sachs...

Michael S. Berman, Michael Bopp, Joyce Brayboy, Steven Champlin, Robert Cogorno, Sharon Daniels, Kenneth M Duberstein, Steven Elmendorf, Harold Ford Sr, Dick Gephardt, Richard Grafmeyer, Lindsay D Hooper, Noushin Jahanian, Kristina Kennedy, Barry Lasala, William McKenney, Daniel Meyer, Joseph Mikrut, Gregory Nickerson, Janice M O'Connell, Michael Paese, Joyce A Rogers, Jimmy Ryan, Faryar Shirzad, Shanti Stanton, Jonathan Talisman, Eric Ueland, Christine L Vaughn, Lawrence G Willcox, Samuel R Woodall III, Stacey Alexander, Eric Edwards, Mitchell Feuer, Brian Griffin, Christopher Javens, Nancy Ellen McCarthy, John T O'Rourke, Peter Rich, Richard Y Roberts, Michael D Thompson, Joe Wall

either served in Congress or used to work for one of these government officials:

Brockman Adams, Ed Bethune, Roy Blunt, David Edward Bonior, Rudolph Eli Boschwitz, Corrine Brown, Clarence J Brown Jr, Rodney Dennis Chandler, Dick Cheney, Anthony Lee Coelho, Susan Collins, Tom Daschle, Chris Dodd, Byron Leslie Dorgan, Dennis Edward Eckart, Michael B Enzi, Vito John Fossella, Barney Frank, Bill Frist, Dick Gephardt, Newt Gingrich, Chuck Grassley, William H Gray III, Luis Vicente Gutiérrez, Jane L Harman, Amory Houghton Jr, Steny Hamilton Hoyer, Jacob Javits, Sam Johnson, John Kerry, Jon Kyl, James David Matheson, James O McCrery III, Ronald Reagan, Harry Reid, Paul Spyros Sarbanes, Richard C Shelby, Debbie Stabenow, William M Thomas, Malcolm Wallop, Melvin L Watt, Vin Weber

IV. Revolving-Door Mercenaries

A visualization of the big banks' ties to current and former members of Congress through their lobbyists.

Big-bank lobbyists exercise influence over the political process by milking relationships with members of Congress and their staffs, and many of these relationships were developed during previous tenures in government.

All in all, 243 lobbyists for six big banks and their trade associations used to work in the federal government – 202 in Congress, the rest in the White House, Treasury, or at a relevant federal government agency.[x] That's equivalent to 40 revolving-door lobbyists per bank. Other key statistics:

- 32 were once staffers to the Senate Banking Committee or a current member of that committee
- 26 were once staffers to the House Financial Services Committee or a current member of that committee
- 33 were formerly chiefs of staff to a member of Congress
- 28 are former legislative directors.
- 13 once worked at the Treasury Department.
- Sen. Christopher Dodd leads all current members of Congress with ties to 5 lobbyists, followed by Sens. Richard Shelby, Harry Reid, Chuck Grassley, Mike Enzi, Tom Carper and Charles Schumer, each with four.
- Dodd has also received the most financial backing from the group as a whole, $135,000 over the course of his career.

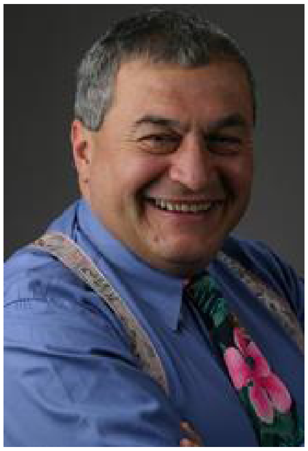
In their bios, many of the lobbyists tout their experience shaping deregulatory legislation such as the Commodity Futures Modernization Act. The following are brief profiles of some of the top "hired guns" -- lobbyists who contract with multiple big banks and trade associations.

Elmendorf Strategies

Founded by Gephardt chief of staff Steve Elmendorf, Elmendorf Strategies became the top big-bank lobbying firm in Washington last year, bringing in $1.4 million from the big banks and their trade associations – up nearly 200% from the previous year, when it netted $540,000. Elmendorf's shop is powered by a legion of Democratic veterans, including Jimmy Ryan, formerly a top aide to Senate Majority Leader Harry Reid; Shanti Stanton, once Gephardt's liaison to the New Democrat and Blue Dog coalitions in Congress; and Kristi Kennedy, formerly legislative director to Sen. Paul Sarbanes.

Clients include Citigroup, Goldman Sachs, the Financial Services Forum and the Securities Industry and Financial Market Association.

Podesta Group

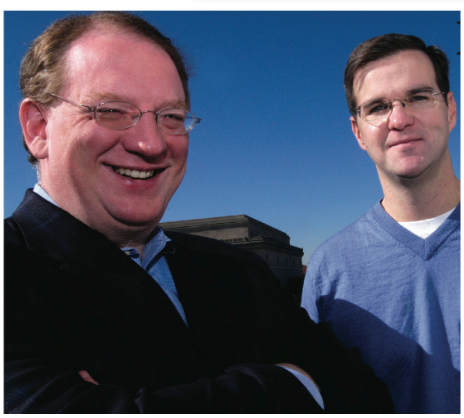


The Podesta Group, headed by Democratic insider Tony Podesta, has seen business explode since the start of the Obama administration, with lobbying revenue nearly doubling to $26 million in 2009. Though his lobbying firm is not the top big-bank boutique in town, it has scored lucrative contracts with two megabanks that have hired few other outside lobbying firms, Bank of America and Wells Fargo. Podesta also led the fight against student-loan reform and has represented Warren Buffett's Berkshire Hathaway in its fight against tighter regulation of derivatives.

Podesta, a former counsel to Sen. Ted Kennedy and brother of President Bill Clinton's chief of staff, has packed his team with Democratic insiders, including former aides to Sens. Schumer, Gephardt, Carper, and Biden.

Clients include Wells Fargo, Bank of America, Berkshire Hathaway, Sallie Mae and Fortress Investment.

Porterfield, Lowenthal & Fettig



Prior to founding a lobbying firm together, Andrew Lowenthal (left) and Lendell Porterfield were senior staffers to Senators Richard Shelby and Chris Dodd, respectively, and worked together in crafting the Gramm-Leach-Bliley bill. They found themselves "sharing common values about how to go about the work," Lowenthal told *Roll Call* in January 2006. After working for Dodd, Lowenthal moved on to Senator Evan Bayh's office before joining the Commodity Futures Trading Commission as chief of staff to chairman Bill Rainer. His bio notes his role in assisting in the passage of CFMA, which deregulated derivatives markets. Last year the duo added partner Dwight Fettig, formerly legislative director to Sen. Tim Johnson and a lobbyist for Freddie Mac.

The firm's ties to the leadership of the Senate Banking Committee, including Johnson, who is rumored to be Dodd's successor, has likely put them at the center of negotiations surrounding financial reform.

Clients include the American Bankers Association, JPMorgan Chase and NASDAQ.

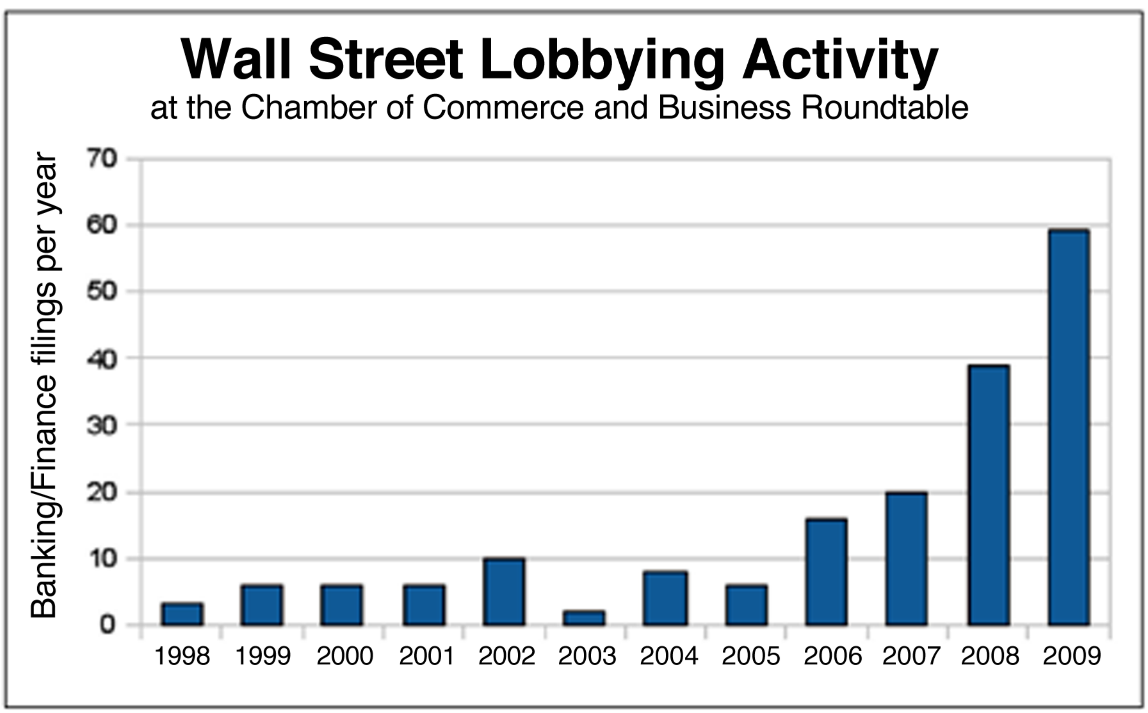
Goldman [Sachs] has no influence down here. Bank of America doesn't.

Barney Frank, quoted in "Cash Committee," The Huffington Post, 1/25/2010 [xi]

V. The Shadow Bank Lobby

While the big banks wield extraordinary power in Washington, their influence is to some extent toxic – few members of Congress care to be known as a lackey of Goldman Sachs or Bank of America. To get around this, the big banks fund a network of front groups – ad hoc coalitions, collectively-owned front companies, and much larger big-business lobbies – to make their case to Congress. These front groups allow the banks to pool resources on shared legislative priorities and hide segments of their lobbying activity, a political engineering tactic that parallels their financial engineering activities.

Two generic lobbies for big business, the U.S. Chamber of Commerce and the Business Roundtable, have played a much more prominent role in the financial reform debate than they have in past years, a sign that the big banks have ramped up their investments in these institutions. Whereas lobbying expenditures by big banks and their trade associations declined slightly from 2008 to 2009, financial industry lobbying by the Chamber and Business Roundtable increased dramatically during this bailout period.



Data from the Center for Responsive Politics, OpenSecrets.org

Beyond being members of these organizations, several big banks have also worked closely with them on financial reform issues in the past. William Daley, JPMorgan Chase's top in-house political rainmaker, is the former chair of the U.S. Chamber of Commerce's Center for Capital Markets Competitiveness, which in early 2009 released a financial reform proclamation signed by a number of regulators and government officials who have gone through the revolving door to Wall Street, including representatives of JPMorgan, Morgan Stanley, and Goldman Sachs. [xii]

Other shadow lobbying activities:

- Think Progress has found that the Chamber of Commerce engaged an astroturf firm, Democracy Data & Communications, to fight financial reform on behalf of the banks.[xiii] The firm's servers also host sites named for Bank of America and JPMorgan.
- The industry funded an astroturf group with the winning message of "Stop Too Big To Fail" to rally opposition to financial reform, according to Talking Points Memo.[xiv]
- The Business Roundtable and Chamber of Commerce formed a front group called the Coalition for Derivatives End Users, which supposedly represents "end-users" of derivatives (who use the instruments to hedge against business losses).[xv]
- Other ad-hoc coalitions and front companies include the CDS Dealers Consortium (derivatives), the Electronic Payments Coalition, the Loan and Syndication Trading Association, the Coalition for Derivatives End Users, and the Clearing House Payments Company. The banks have financial stakes in these companies or have played a key role in forming them. Since the membership of industry associations can include smaller financial institutions, the big banks sometimes use the coalitions to lobby more exclusively for big banking interests.[xvi]

The thing I'm most focused on is too big to fail. That trumps just about everything else. We just cannot have a financial institution that is too big to fail, meaning they have to be nursed along or bailed out by the U.S. government. That cannot happen again.

Senator Ted Kaufman to ABC News [xvii]

VI. Big Bank Victory in the Financial Reform Debate

While reformers have scored some victories in the financial reform debate, big banks have defeated a number of measures that would have curbed the power of the big banks and cracked down on Wall Street's casinos.

The Brown-Kaufman amendment, sponsored by Senators Ted Kaufman and Sherrod Brown, sought to break up the big banks: Bank of America, JPMorgan Chase, Morgan Stanley, Goldman Sachs, Citigroup, and Wells Fargo. The amendment would have put caps on the size and risk profile of banks.


Obama economic adviser Larry Summers and Senator Ted Kaufman (D-Delaware).

Obama economic adviser Larry Summers, an original architect of financial deregulation and too-big-to-fail during the go-go Clinton years, opposed the amendment and lobbied Kaufman to abandon his cause. Summers argued that the amendment would hurt American competitiveness:

> Most observers who study this believe that to try to break banks up into a lot of little pieces would hurt our ability to serve large companies and hurt the competitiveness of the United States. [xviii]

Summers used the same argument during the Clinton years to argue that Commodity Futures Trading Commission chair Brooksley Born would harm the country's "competitiveness" by pushing for the regulation of derivatives. He said that the CFTC proposal "has cast the shadow of regulatory uncertainty over an otherwise thriving market, raising risks for the stability and competitiveness of American derivative trading." Sometimes, the industry's most effective lobbyists work within the government.

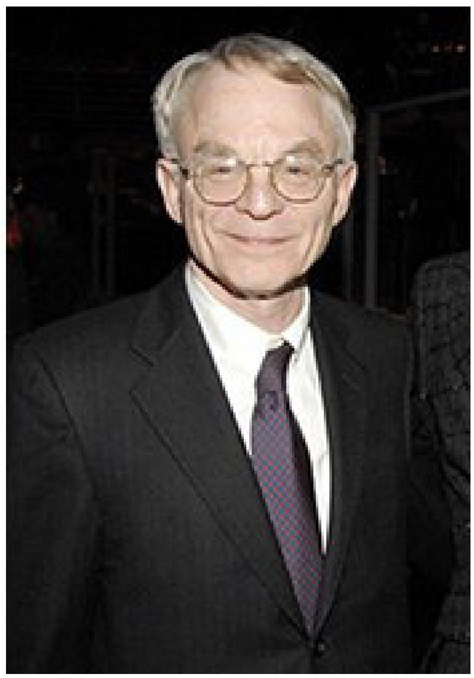
This time around, Summers' arguments did not convince Kaufman, but the amendment was defeated 33-61, with 27 Democrats joining 34 Republicans in support of big banks.[xix] The four Democrats with the most staffers lobbying on behalf of big banks – Chris Dodd, Charles Schumer, Tom Carper, and Tim Johnson – all voted against the amendment.

Support for the bill was remarkably bipartisan, however. Senate Majority Leader Harry Reid voted for the measure, and Sen. Richard Shelby, Republican ranking member on the Senate Banking Committee, voted for the amendment. Shelby's office has spawned four big-bank lobbyists, as many as the leading Democrats (except for Dodd).

"Well, Brooksley, I guess you and I will never agree about fraud... you probably will always believe there should be laws against fraud, and I don't think there is any need for a law against fraud."[xx]

- Former Fed chair Alan Greenspan to Commodity Futures Trading Commission chair Brooksley Born in 1998

VII. K Street: Enabling Wall Street's Fraud



Former Enron CEO Ken Lay; Sullivan & Cromwell senior chairman H. Rodgin Cohen; Goldman Sachs CEO Lloyd Blankfein.

The current financial reform battle has everything to do with the legality of fraud – whether it should be illegal for Wall Street's big banks and financial firms to cook their books, deceive investors and clients, and manipulate financial markets in the interest of short-term profit. For decades, Federal Reserve Board chair Alan Greenspan and his followers dominated this debate, and Washington left it up to the markets to sort out fraud. The result was the worst financial and economic crisis since the Great Depression.

Many of the lobbyists listed in this report were the technicians that helped implement Greenspan's vision for the financial markets, as legislators, congressional staffers and Treasury Department officials. But one firm has distinguished itself among this crowd, playing a key role in enabling forms of fraud, shaping bailouts, and also defending Goldman Sachs in its historic fraud suit.

Sullivan & Cromwell is arguably the most powerful law firm on Wall Street, and its chairman, H. Rodgin Cohen, is widely regarded as the most powerful banking lawyer in the world. Cohen was at the center of efforts to bail out the banking system in September 2008, to the point where Treasury

Secretary Henry Paulson said that "Every time I looked up, it seemed like Rodge was in the room." Though Sullivan & Cromwell is more commonly known as a law firm, lobbyists there have also played a key role in crafting landmark legislation in the history of financial deregulation.

In 1999, a mysterious group called the "Energy Coalition" hired Sullivan & Cromwell to lobby around the Commodity Futures Modernization Act (CFMA), which deregulated the sorts of derivatives that later contributed to the 2008 collapse of global financial markets.[xxi] Like the shadow banking lobby that is now doing much of Wall Street's dirty work, the Energy Coalition was a front group for a number of large multinational corporations. Its membership appears to have included Enron as well as Goldman Sachs.

The Enron email archive shows that Sullivan & Cromwell lobbyist Ken Raisler (formerly an official at the Commodity Futures Trading Commission) was a leading architect of the legislation containing the infamous "Enron loophole," frequently corresponding with top Enron executives about the legislation.[xxii] The loophole excluded certain energy derivatives from proper regulation and oversight, and was slipped into the legislation unbeknownst to much of Congress (or so the story goes). It has since been blamed for rampant speculation in the energy markets. During the 2008 campaign, the Obama campaign criticized the loophole as the cause of a historic spike in gas prices.

Samuel Woodall, a lobbyist at the firm who assisted Raisler in lobbying on behalf of Enron in 2000, also lobbied on behalf of Goldman Sachs in 2009, and scored the single most lucrative big-bank lobbying contract of the year: a $520,000 deal with the Clearing House Payments Company, which is owned by a group of big banks, including Bank of America, Citigroup, JPMorgan, and Wells Fargo. What is Sullivan & Cromwell pushing for now?

What will happen behind closed doors?

The Washington Post has reported that lobbyists are upset about the current state of affairs in the financial reform process, and are looking to Congressional leadership to work out key differences behind closed doors:

> Some industry lobbyists, bracing for significant setbacks in the Senate, already are pinning their hopes on the House-Senate conference process, where differences between the bill and the House version would be worked out [xxiii]

In the same vein, JPMorgan Chase executive James E Glassman recently said that it was time for "the grownups to step in."[xxiv]

A closed-door conference is the perfect opportunity for language like the "Enron loophole" to get slipped into the bill, and it's worth noting that key perpetrators of that first deregulatory debacle are on the scene once again. Bank lobbyists prefer an opaque, unaccountable process where they can run roughshod over democracy.

They will get their way if final negotiations happen behind closed doors, out of the public eye.

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viii http://dealbook.blogs.nytimes.com/2009/01/09/rubin-plans-to-step-down-at-citigroup/
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Open Secrets' revolving door and lobbying databases were relied on heavily in compiling the list (http://opensecrets.org)
xi Arthur Delaney and Ryan Grim, "Cash Committee," The Huffington Post, 1/25/2010, http://www.huffingtonpost.com/2009/12/29/the-cash-committee-how-wa_n_402373.html
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xiii Lee Fang, "Exclusive: US Chamber Coordinating Wall Street's Stealth Lobby to Kill Reform," Think Progress, 4/24/2010, http://thinkprogress.org/2010/04/24/stealth-chamber-banks/
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xxii Available at http://www.enron-mail.com/
xxiii http://www.washingtonpost.com/wp-dyn/content/article/2010/05/03/AR2010050304254.html
xxiv http://www.huffingtonpost.com/2010/05/04/jpmorgan-chase-memo-goldman_n_562459.html

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