

Harkin Statement -- Hearing on the Nomination of Gary Gensler as CFTC Chair

February 25, 2009

Harkin Statement -- Hearing on the Nomination of Gary Gensler as CFTC Chair

“Good afternoon and thank you all for joining us today. We meet this afternoon to consider the nomination of Gary Gensler to serve as Chairman of the Commodity Futures Trading Commission. As many of you know, Mr. Gensler is not new to public service; he served as Assistant Secretary for Financial Markets and later as Under Secretary for Domestic Finance at the Department of Treasury. He brings experience to this position.

“His nomination comes at a very challenging time. Since the CFTC was created 35 years ago, it has never faced more daunting market challenges than those that the next chairman and the other commissioners will face.

“Our financial markets are still unstable, and the physical commodities — energy, agriculture, and metals — have experienced unprecedented price volatility.

“Again and again, our futures markets have caused havoc across our economy. For example, one year ago this weekend, speculative funds ran up prices in the cotton futures market at a time when there were record U.S. and world surpluses and only soft demand in the market place. This excessive speculative activity served no constructive economic purpose — no market purpose at all except to make some Wall Street speculators wealthy at the expense of a critical sector of American agriculture. This speculative activity created financial havoc in the cotton industry, adversely impacted almost one third of the cotton marketing infrastructure, unfairly widened the basis for producers, rendered the cotton futures contract useless as a mechanism for price discovery and hedging, and resulted in several significant bankruptcies and subsequent contract defaults with producers on almost 850,000 bales of cotton.

“The markets for other agricultural commodities experienced similar disruptions as prices for wheat, corn, and soybeans rose to record levels. Country elevators that had offered producers forward contracts and then hedged their cash positions on the Chicago Board of Trade struggled to find the cash resources to meet margin calls. Users from bakers to pork producers to ethanol facilities suddenly realized that the price they would have to pay for their most critical inputs was double the price from only a few months earlier.

“Likewise, prices in the energy sector shot up to unprecedented levels last summer. Users from airlines to commuters to farmers struggled with ever higher fuel costs.

“In places like my state of Iowa, folks are wondering: Is Washington totally asleep at the switch? Does Washington understand the disruption and damage caused by its inept and inadequate oversight?

“Last night, President Obama urged Congress to move quickly on legislation that will finally reform our outdated regulatory system. He called for “tough, new common-sense rules of the road so that our financial market rewards drive and innovation, and punishes short cuts and abuse.” It is our responsibility to rise to the President’s challenge. This Committee and the Commodity Futures Trading Commission have a profound responsibility to craft and implement tough-minded regulatory reforms.

“Last month, I introduced the Derivatives Trading Integrity Act. Integrity is a synonym for honesty. Integrity implies trustworthiness and incorruptibility to a degree that one is incapable of being false to a trust, responsibility, or pledge. The bill would require that all futures contracts trade on a regulated exchange. Exchange-traded contracts are subject to a level of transparency and oversight that is just not possible in over-the-counter markets.

“Frankly, the best intentioned and most brilliantly crafted legislation will be only as effective as the regulators who will implement the law. We must have an unflinching determination on the part of the Commodity Futures Trading Commission to restore integrity to these important markets. That is why the position of Chairman of the CFTC is so critical.

“And that is why this Committee must gain assurance that the nominee before us is prepared to provide strong leadership at the CFTC and to work with this Committee to develop solutions to ensure that markets are open and transparent, free of excessive speculation, and that all trades clear. We need to know if Mr. Gensler will be committed to repairing the abuses and mistakes of the past, and ensuring that they are never repeated.

“With that, I will now turn to our Ranking Member, Senator Chambliss.”

###