

Empower The People

Open Letter to Obama

By [Ralph Nader](#)

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Region: [USA](#)

Theme: [Global Economy](#)

Dear President Obama, Senator Schumer and Senator Shelby:

On the eve of the portentous Senate debate over the extent to which the financial industry is to be so as to avert future megacollapses on the backs of taxpayers, workers and consumers, a great gap has been left unattended.

That gap pertains to the continued powerlessness of the investors and consumers—the people who bear the ultimate brunt of Wall Street’s recklessness, avarice and crimes and who have the greatest interest in strong regulatory enforcement.

Among all the amendments filed for the upcoming Senate debate, only amendment number 29, introduced by Senator Schumer, provides a facility to establish an independent non-governmental non-profit Financial Consumers’ Association (FCA).

Amendment 29 includes the following for funding this unique institution:

“...the financial industry has enjoyed virtually unlimited access to represent its interest before Congress, the courts, and State and Federal regulators, while financial services consumers have had limited representation before Congress and financial regulatory entities;” and

“...the Federal Government has a substantial interest in the creation of a public purpose, democratically controlled, self-funded, nationwide membership association of financial services consumers to enhance their representation and to effectively combat unsound financial practices.”

Anyone modestly familiar with the history of regulatory failures knows that the gross disparity of power and organized advocacy between big business and consumers outside of government leads to an absence of fair standards and law enforcement.

It also leads, as everyone knows, to massive taxpayer bailouts, subsidies and guarantees when these giant banks and other financial firms immolate themselves, after enriching their bosses, while engulfing tens of millions of innocent people in the subsequent economic conflagration.

Given all the privileges and costly rescues for culpable corporations that flow regularly from Washington, D.C., adopting ever so mildly the principle of reciprocity makes a powerful case for facilitating a nationwide Financial Consumers’ Association—one that would be composed of voluntary memberships by consumers who, through their annual dues, will sustain the

FCA for an expert place at the table.

Senator Schumer, when he was a Congressman during the savings and loan bailout in the nineteen eighties, introduced such a proposal. But the bankers took the \$150 billion bailout and blocked this reciprocal respect for depositors in the House Banking Committee.

Then Representative Schumer and his supporting colleagues on that Committee understood that without the supposed beneficiaries of regulatory authority being organized to make regulation and deterrence work, the Savings and Loan collapse could happen again. And so they became prophetic beyond their wildest nightmares.

Before he died in a plane crash in 2002, Senator Paul Wellstone recognized the need for such a facility, when he introduced the Consumer and Shareholder Protection Association Act.

A key enhancing feature in amendment 29 is a requirement that invitations to membership in the FCA be included in the billing envelopes or electronic communications of financial institutions with their customers. At no expense to these vendors, these notices would ensure that the maximum number of consumers are invited to join and fund such a democratically run, educational and advocacy organization.

In early 2009 I met with Chairman Christopher Dodd and explained the nature and importance of the FCA and Senator Schumer's earlier role in advancing this civic innovation. He seemed receptive to the idea and urged us to have his colleague Senator Schumer take the lead, which he has done with amendment 29 just a few weeks ago. Senator Shelby and I have also discussed the FCA proposal.

The major valiant but overwhelmed consumer groups, who experience daily this enormous imbalance of power between corporations and consumers, presently stacked by unprecedented amounts of federal funds and bailout facilities for the misbehaving companies, support the creation of a self-funded FCA.

The Federal Government has long paid for facilities in the U.S. Department of Agriculture for agricultural businesses to band together and assess themselves to promote beef, corn, cotton and other commodities to increase their profits. By contrast the FCA, once launched, would be composed of consumers paying their own way to preserve their hard-earned savings from predatory financial speculators.

Allow one prediction. Even if the ultimate legislation comes out stronger than expected on such matters as derivatives, rating agencies, too big to fail, using depositor funds for speculation, and the consumer financial regulatory bureau, unless the consumer-investor is afforded modest facilities to band together with their experts and advocates, the laws will hardly be enforced with sufficient budgets, personnel and regulatory will power.

Give the consumer a modest round in this prolonged deliberation following the destructive events of 2008.

Sincerely,
Ralph Nader

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About the author:

Ralph Nader is a consumer advocate, lawyer, and author. He has founded many organizations including the Center for Study of Responsive Law, the Public Interest Research Group (PIRG), the Center for Auto Safety, Public Citizen, Clean Water Action Project, the Disability Rights Center, the Pension Rights Center, the Project for Corporate Responsibility and The Multinational Monitor. Visit his website at <http://nader.org/>

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