

From: [James T Elder Jr](#)
To: [Comments](#)
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Comments regarding section 956 of the Wall Street Reform Bill:

I am a capitalist, in that I invest in the stock market. My intent is that, by financing the growth of industry and markets, I make the country stronger and am rewarded by a dividend or increased share price, for which I expended no labor. Having said that I believe that some forms of capitalism should be regulated, or even outlawed, because they set our country up for recurring, devastating setbacks.

Financial instruments evolve constantly, just as life forms evolve perpetually in the natural world. Unless US regulatory agencies are up to date, push new legislation for regulations immediately, and then enforce regulations in the financial sphere, severe blows to the US economy, like the savings and loan crises in the late 80's and the most recent bank failures of 2008, will occur regularly. How many more of these preventable disasters can we stand before our country dissolves in unemployment, lost productivity and debt?

Increasingly, unregulated business practices and financial instruments that don't support production or growth in this country have flourished, and offered huge financial rewards for a select few.

- Hedge funds have actually rewarded the failure of businesses and banks.
- The internet's creation of instant monitoring and trading on the stock market has led to arbitrage, leverage and short sales. These legal techniques allow traders to make money on money they don't have, and to prevent stable growth of a company's stock, in favor of short-term profit-taking. Money is made with no product, or long term investment in America's businesses.
- Banks have been allowed to make bad loans, and then foreclose without negotiating with the mortgage holders. Profits increased and CEOs got bonuses. Result: home foreclosures went from .5 million in 2005 to 3.5 million in 2009, millions of Americans' lives have been ruined, the real estate industry is in shambles, the stock market and economy collapsed, AND CEOs of hedge funds and banks still got bonuses.

Many wealthy capitalists will disagree with me, and say that I am unAmerican, but here, I believe, is the guiding principle in financial regulation in the United States:

The US regulatory agencies must direct capitalism in such a way that it is beneficial not only to the individual, but to our country's interests.

Now, I'll briefly get specific, since regulatory agencies are much better equipped to make effective policy than I am.

1. In the future, ALL types of stock funds should be regulated from their inception. Perhaps some types of hedge funds, like Market-Neutral and Short-Selling, should be outlawed.
2. Leverage should be limited to a certain percentage of each purchase, and a total limit for an investor or stock fund.
3. The online site BankVega has created a "safety index", which judges all banks based on 7 criteria of bank health and practices. Once regulatory banking rules have been made, rankings like this must be continually monitored for all banks, with

investigations and possibly penalties for the officers of banks which show purposeful bad practices.

4. In the future, CEO's of banks and funds must have their salaries and bonuses tied to a safety index, and not just to profits. As we've seen, profits at any cost can be temporarily good for a bank and its CEOs, but bad for the America. If we do this, it will be good not only for America, but for the long-term health of each individual bank.
5. And now for dealing with the past crisis. Any bank or fund that broke the law during this past crisis should be investigated:
 - If the bank failed or stock dropped because of this malfeasance, any bank officers responsible should forfeit any extra salary, stock options or bonuses granted based on their wrong-doing. In addition, some CEO's should be criminally prosecuted.
 - If these errant officers are still employed by the same institution now, this penalty applies not only to the years in which these practices were happening, but for any salary or bonus increase until 2012. This should go especially for any institution that received federal stimulus money.
 - Stock holders in a bank, who saw their stock plummet as a result of illegal management, should receive some compensation from the assets of that bank.
 - Americans, whose homes were improperly foreclosed upon, should receive a certain percentage of their equity back from the bank as a damage payment.

Perhaps all of this seems quite severe and unrealistic. In the universe, anything that's possible WILL happen. Right now, unchecked greed is a wide-open frontier. We need to develop federal policies that reward solid business practices, and penalize selfish, greedy behavior that can ruin innocent citizens and ultimately bankrupt our country. We also need the best and brightest to be a part of the regulatory system, so that, as new instruments of greed are created, they can be contained.

Thank You,

Jay Elder

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