



THE CHANGE WE NEED IN WASHINGTON

STOP WASTEFUL SPENDING AND CURB INFLUENCE OF SPECIAL INTERESTS SO GOVERNMENT CAN TACKLE OUR GREAT CHALLENGES

George W. Bush ran for president in 2000 promising a “smarter, fairer, more effective government,” but under his watch government spending increased 57 percent, a rate twice as high as under President Clinton. Yet, on the great challenges we face, Washington is falling down on the job. The ranks of uninsured Americans have grown by 7.2 million since 2000. The number of Americans living in poverty has increased by nearly 5.7 million, and the price of gas has gone up 160 percent.

The lack of accountability and efficiency not only robs money from critical programs, it also erodes taxpayer’s confidence that Washington can be responsible stewards of their money. When people lose faith in their government, it is hard to build the consensus needed to tackle our great problems: ensuring affordable, accessible health care for all, eliminating our addiction to foreign oil, securing our homeland, educating our children and rebuilding our crumbling infrastructure.

The Bush administration has also put the interests of K Street and Wall Street ahead of Main Street as he’s turned our government into a game only the lobbyists and special interests can afford to play. The current crisis in our financial markets happened because of a bankrupt philosophy that says we should give more and more to these special interests. It also happened because for too long, the doors of Washington have been thrown open to an army of lobbyists and special interests who’ve turned our government into a game only they can afford to play – who have shredded consumer protections, fought against common-sense regulations and rules of the road, and distorted our economy so that it works for them instead of American workers. Even as Congress debates an emergency plan to save our economy from the verge of collapse, there are reports that lobbyists and CEOs are already lining up to figure out what’s in it for them; to find out how they can get theirs.

Barack Obama and Joe Biden will make government work for the people again. Today Barack Obama is announcing proposals to:

Curb Influence of Lobbyists and Special Interests

- End the practice of writing legislation behind closed doors
- Shine a light on government spending and special interest tax breaks
- Enforce ethics rules in the Executive Branch
- Stop the revolving door between federal procurement officials and the contractors they supervise

Spend Taxpayer Money Wisely

- Create a high-performance government
- Eliminate ineffective government programs
- Reform government contracting

Modernize Financial Regulation

- Give the Federal Reserve greater supervisory authority
- Strengthen capital, liquidity and disclosure requirements

- Streamline overlapping and competing regulatory agencies
- Crack down on market manipulation

In recent days, John McCain has sought to recast himself as an economic populist after a career championing of deregulation and free markets. Throughout his nearly three decades in Washington, McCain embraced efforts to broadly deregulate the banking and insurance industries, helping to sweep aside the rules that could have helped prevent the current crisis. As recently as this month, McCain hailed banking deregulation as a model that should be extended to the health care industry.

In order to make the real change we need in Washington, we need to take on the lobbyists and special interests that put them there in the first place. For all his talk of being a maverick reformer, John McCain's campaign is run by special interest lobbyists. Seven of McCain's top campaign officials are current or former lobbyists for clients like the oil industry, telecommunications companies, banks, and foreign governments. Recently, McCain announced that William Timmons, a top Washington lobbyist, will lead his transition effort. With at least 177 lobbyists helping to raise money and lobbyists running his campaign, there is little doubt that a John McCain White House will be organized, managed and influenced by lobbyists and the same old Washington politics John McCain has decried.

Barack Obama and Joe Biden will take these lobbyists on and fix the system from the bottom up to ensure that taxpayer dollars are being spent wisely. Their plan will stop wasteful spending and curb the power of special interests and lobbyists.

I. CURB INFLUENCE OF LOBBYISTS AND SPECIAL INTERESTS

It is no coincidence that the disastrous policies of the Bush-Cheney years have been accompanied by unprecedented secrecy for the American people and unprecedented access by lobbyists, the wealthy and the well-connected.

Barack Obama has made ethics reform and transparency a cornerstone of his career. As a state senator, Barack Obama passed the most sweeping ethics reform in Illinois history. In Washington, he helped push Congress to pass the most ambitious lobbying reform legislation since Watergate. The legislation Obama championed bans gifts from lobbyists and eliminate Senate floor, gym, and parking privileges for former senators who are lobbyists. Obama's decision to not accept donations from Washington lobbyists and political action committees has put his campaign in the hands of everyday Americans, who have made more than 2 million donations averaging less than \$100.

The Obama-Biden administration will build on these successes to wrest the federal government out of the hands of lobbyists and make sure it works for the American people.

End the Practice of Writing Legislation Behind Closed Doors: The American people are frustrated by the secrecy in Washington that allows lobbyists and special interests to slip language into bills and conference committee reports in the dead of night and behind closed doors. They are troubled by the oversized influence of special interests in agency rulemaking and regulations.

As president, Barack Obama will restore the American people's trust in their government by making government more open and transparent. Obama will work to reform congressional rules to require all legislative sessions, including committee mark-ups and conference committees, to be conducted in public. By making these practices public, the American people will be able to hold their leaders accountable for wasteful spending and lawmakers won't be able to slip favors for lobbyists into bills at the last minute.

Open Executive Branch to the Public: Every day, government agencies make decisions that impact the lives of Americans. These decisions require public deliberation and input. But at many agencies, these deliberations

are conducted out of the public view. For example, several agencies, including the Securities & Exchange Commission (SEC) and the Federal Communications Commission, hold public meetings only one or two days a month. On all the other days, the commissioners and staff members host lobbyists and lawyers in private meetings, and operate outside of the public eye. In these private meetings, companies can make their case for the regulation that they want. Average citizens cannot participate in this process, and consumer groups just do not have the resources to offset the waves of corporate lobbyists that constantly walk the halls of these agencies. Barack Obama will require his appointees who lead the Executive Branch departments and rulemaking agencies to conduct the significant business of the agency in public, so that any citizen can see in person or watch on the Internet as the agencies debate and deliberate the issues that affect American society. Videos of meetings will be archived on the web, and the transcript will be available to the public. Obama will also require his appointees to commit to employ all the technological tools available to allow average citizens not just to observe, but to participate and be heard on the issues that affect their daily lives. Obama will require Cabinet officials to have periodic 21st Century Fireside Chats, restore meaning to the Freedom of Information Act, and conduct regulatory agency business in public.

Secrecy in the White House, the Case of Cheney's Energy Task Force: Vice President Dick Cheney's Energy Task Force drafted the White House's energy policy entirely behind closed doors. The Bush administration fought ferociously to keep the proceedings secret, eventually taking the fight all the way to the Supreme Court. Task Force documents released as a result of a 2002 court order made clear that the Bush Administration issued executive orders and made regulatory decisions that reflected specific requests by industry to weaken environmental laws. This provided an economic boon for industry, allowing them to weaken environmental protections at the expense of public health.

Shine a Light on Government Spending and Special Interest Tax Breaks: It's time to get Washington out of the grip of special interests and lobbyists and to restore competence, integrity and transparency to government. Barack Obama will make the federal government more transparent than ever and will shine a light on government activities by:

- **Make a Government Spending Database Available on the Internet:** Building on his successful bipartisan "Google for Government" initiative, Barack Obama will create a user-friendly website with the details of all government spending. Currently the Obama-Coburn USASpending.gov includes information on grants and contracts and will soon include information about subgrants and subcontracts as well. Obama has introduced bipartisan legislation to expand the information accessible on this public website to include a copy of the contract itself as well as information about contractor performance, violations of law or regulations, and the bidding or Request for Proposal process.
- **Expose Corporate Welfare and Special Interest Tax Breaks to Public Scrutiny:** Barack Obama will shine a light on corporate welfare by creating an agency charged with identifying recipients of corporate subsidies and evaluating the effectiveness of these subsidies in promoting growth and opportunity. The agency will help identify wasteful subsidies that should be eliminated, and help prevent new corporate welfare initiatives from being passed. Obama will ensure that any tax breaks for corporate recipients – or tax earmarks – are also publicly available by directing the Office of Management and Budget to post them on its website in an easily searchable format.

Centralize Ethics and Lobbying Information for Voters: Under current law, enforcement of ethics and lobbying laws is spread widely among a variety of different agencies, which do not frequently work together, and do not provide the public information in an easily accessible format. As president, Barack Obama will create a centralized database of lobbying reports, congressional ethics records, and campaign finance filings that is made available on the Internet in a searchable, sortable and downloadable format, and compiled and

maintained by one agency and under one roof. This database will allow Americans to see easily and in one place who their legislators are meeting with; who they are collecting money from and how much money they are collecting; and to review their ethics records.

Sunlight Before Signing: Too often bills are rushed through Congress and to the president before the public has the opportunity to review them. As president, Barack Obama will not sign any non-emergency bill without giving the American public an opportunity to review and give input on the White House website for five days. In addition to ensuring that the public has the ability to review legislation, the sunlight will help ensure that earmarks tucked into appropriations bills are exposed. And Obama will sign legislation in the light of day without attaching signing statements that undermine the legislative intent.

Enforce Executive Branch Ethics: Today the Office of Governmental Ethics (OGE) is only an advisory agency with no enforcement authority. Ethics decisions are made by roughly 4,000 individual ethics officers appointed by the head of each executive branch agency. These officers rarely have any ethics training and routinely reject the advice given by OGE. An Obama administration will give his OGE strong enforcement authority with the ability to make binding regulations, and it will work with inspectors general in all the federal agencies to enforce ethics rules, minimize waste and ensure federal officials are not using their offices for personal gain. The OGE will also be the clearinghouse of all public records relevant to ethics in the Executive Branch and place this information on its website, including records of waivers from conflicts-of-interest that are requested and granted, personal financial statements of appointees and the career histories of senior executive branch staff who enter and leave public service. Finally, the OGE will promulgate rules and procedures to record all oral and in-person "lobbying contacts" between registered lobbyists and political appointees and make those records available to the public in a searchable computerized database.

Executive Branch Ethics: The Case of the Minerals Management Service: The Minerals Management Service, part of the Interior Department, is responsible for marketing oil and natural gas that energy companies barter to the government in lieu of cash royalty payments for drilling on federal lands. In early September 2008, federal investigators revealed major ethics violations committed by 13 former and current Interior Department employees in Denver and Washington. Their alleged improprieties include influencing contracts, working part-time as private oil consultants and having sexual relationships with — and accepting golf and ski trips, snowboarding lessons and concert tickets from — oil company employees. Where was the Office of Governmental Ethics? OGE this month gave the Interior Department its 2008 Education and Communication Award for "developing a dynamic laminated Ethics Guide for employees." OGE noted, "this polished, professional guide has colorful pictures and prints which demand employees' attention."

Ban Gifts to Executive Branch Employees: Gifts from registered lobbyists harm the political process because they give lobbyists an avenue for building and maintaining relationships that advance their agendas. As president, Barack Obama will issue an executive order banning registered lobbyists or lobbying firms from giving gifts in any amount or any form to executive branch employees. An Obama administration will make decisions that affect the country based on what is in the public interest, not simply what is best for lobbyists.

Strengthen Revolving Door Restrictions on Executive Branch Officers and Personnel: No political appointees in an Obama administration will be permitted to work on regulations or contracts directly and substantially related to their prior employer for two years. A two-year ban will remove the incentive to employers to provide some sort of financial incentive, such as generous severance package, to an employee leaving for a government job with an agency that regulates them. Obama will also prohibit former procurement officers from serving as lobbyists for a contractor under their purview for two years after leaving public service.

Obama will also shut the revolving door on appointees who would leave his administration to become lobbyists. In an Obama administration no political appointee will be able to lobby the executive branch during the remainder of the administration. And he will prohibit government officials from negotiating future employment with private businesses that are affected by their official actions.

The Revolving Door: The Case of the Medicare Prescription Drug Bill: Billy Tauzin, a former top-ranking Republican member of Congress, switched jobs once the Medicare drug bill was passed in Congress. As head of the Energy and Commerce Committee, he was a cosponsor of the new drug law. He helped make sure that Medicare couldn't use its purchasing power to negotiate down the cost of drugs with drug companies. Tauzin is now the top lobbyist for the Pharmaceutical Research and Manufacturers of America, earning an estimated \$2 million per year.

He wasn't alone. A total of 15 congressional staffers, congressmen, and federal officials who worked on the prescription drug bill left to go to work for the pharmaceutical industry, whose profits were increased by several billion dollars. Former Senators Dennis Deconcini and Steve Symms, and former congressmen like Tom Downey, Vic Fazio, Bill Paxon, and former House Minority Leader Robert Michel all registered as lobbyists for the drug industry and worked on the prescription drug bill.

Require Independent Monitoring of Congressional Ethics Rules: Currently, Congress polices itself on ethics and lobbying rules, creating a situation where the fox is guarding the henhouse. Last year, Congress defeated legislation that Barack Obama championed to create an independent and professional enforcement agency to investigate congressional ethics violations. Barack Obama and Joe Biden will use the power of the presidency to fight for passage of this law, ensuring an independent watchdog oversees the investigation of ethics violations so that the public can be assured that ethics complaints will be investigated. Final enforcement for violations would remain with the Congressional Ethics Committees.

II. SPEND TAXPAYER MONEY WISELY

For too long, Washington politicians have wasted billions on no-bid contracts, pork barrel projects, corporate tax breaks, and redundant or outdated programs that we don't need. Washington spent \$1 billion last year on a reading program that doesn't help children learn to read. It spent billions of dollars in improper payments for Medicare and Medicaid. Federal auditors estimate that \$4 billion in Iraq-related spending is lost to corruption each year. And every, year federal taxpayers pay \$60 billion to provide corporate welfare.

Barack Obama and Joe Biden will make the federal government more efficient from top-to-bottom. They will cut wasteful and ineffective programs, create more professional oversight of contracts and programs and slash earmarks.

MAKE GOVERNMENT MORE EFFECTIVE

Performance Team and Chief Performance Officer: Barack Obama and Joe Biden will create a focused team within the White House that will work with agency leaders and the White House Office of Management and Budget (OMB) to improve results and outcomes for federal government programs while eliminating waste and inefficiency. This unit, a SWAT team, will be composed of top-performing and highly-trained government professionals and be headed by a new Chief Performance Officer (CPO) who will report directly to the president. The CPO will work with federal agencies to set tough performance targets and hold managers responsible for progress. The president will meet regularly with cabinet officers to review the progress their agencies are making toward meeting performance improvement targets.

The Case of President Bush's Program Assessment Rating Tool: President Bush's Program Assessment Rating Tool (PART) is supposed to measure the performance of federal programs, but critics say that the system is insular, arbitrary and is used to promote ideological goals rather than true performance standards. In fact, a recent Government Accountability Office (GAO) study found that among federal managers, only 26 percent used PART to make management decisions. Another recent study found that agencies improved their PART scores primarily by better communicating their accomplishments, not by improving performance. The GAO found that because OMB did not consult with Congress, most congressional staffers don't pay attention to PART ratings. GAO also found that OMB examiners may be spread too thinly and do not have sufficient knowledge of the programs they are reviewing necessary for accurate assessments

- **Not Just Measure Performance, but Enforce Standards:** Barack Obama will fundamentally reconfigure PART. He will open up the insular performance measurement process to the public, Congress and outside experts. Obama will eliminate ideological performance goals and replace them with goals Americans care about and that are based on congressional intent and feedback from the people served by government programs. Obama will also ensure that programs are not only measured in isolation, but are assessed in the context of other programs that are serving the same population or meeting the same goals. For instance, a veteran may be getting health care from a Department of Veterans Affairs (VA) hospital, disability benefits from a different federal office, other benefits from state programs and local food aid. Obama's performance improvement effort will include cross-agency performance where service delivery requires coordination across federal agencies and multiple levels of government.
- **Implement Consequences for Success and Failure:** The president needs the flexibility to enforce standards when programs continually fail. Barack Obama will work with Congress to enable the president to take steps like sending in performance teams to reform programs; replacing existing management; demanding improvement action plans; and cutting program budgets or eliminating programs entirely. Obama will also experiment with giving government managers the ability to work with their teams to establish goals and to give bonuses when those goals are met. These steps will be guided by performance measures and will be transparent and visible to the public and Congress.
- **Move Workers from Bloated Bureaucracies to the Frontlines:** In many areas of the federal government there is too much Washington bureaucracy – too many layers of managers, and too much paperwork that does not contribute directly to improving the lives of the American people. At the same time, there are too few workers on the front lines in local offices across the country. We need more resources and better tools for food inspectors at the Food and Drug Administration, for nurses at VA hospitals, for air traffic controllers and baggage screeners, and for immigration border control agents. Barack Obama will thin the ranks of Washington middle managers, freeing up resources both for deficit reduction and for increasing the number of frontline workers.
- **Eliminate Wasteful Redundancy:** Too often, federal departments take on functions or services that are already being done or could be done elsewhere within the federal government more effectively. The result is unnecessary redundancy and the inability of the government to benefit from economies of scale and integrated, streamlined operations. Obama will conduct an immediate and periodic public inventory of administrative offices and functions and require agency leaders to work together to root out redundancy. Where consolidation is not the right strategy to improve efficiency, Obama will improve information sharing and use of common assets to minimize wasteful duplication.

Wasteful Redundancy: The Case of Food Safety: Under current U.S. law, 15 government agencies and subagencies are tasked with monitoring food safety inspection and labeling activities. GAO continually pushes for "fundamental restructuring" to the fragmented and often duplicative efforts of our food inspection services, and has cited "the need to integrate the fragmented federal food safety system as a significant challenge for the 21st century, to be addressed in light of the nation's current deficit and growing structural fiscal imbalance." Obama will improve the government's ability to react quickly to foodborne illnesses while saving money.

Streamline Government Procurement: Barack Obama will implement the GAO's recommendations to reduce erroneous federal payments, reduce procurement costs with purchase cards, and implement better management of surplus federal property. These initiatives will save \$4.5 billion a year.

Protect Whistleblowers: Often the best source of information about waste, fraud, and abuse in government is an existing government employee committed to public integrity and willing to speak out. Such acts of courage and patriotism, which can sometimes save lives and often save taxpayer dollars, should be encouraged rather than stifled as they have been during the Bush administration. We need to empower federal employees as watchdogs of wrongdoing and partners in performance. Barack Obama will strengthen whistleblower laws to protect federal workers who expose waste, fraud, and abuse of authority in government. Obama will ensure that federal agencies expedite the process for reviewing whistleblower claims and whistleblowers have full access to courts and due process.

Increase Use of Technology: Meeting 21st Century challenges will require a government that leverages 21st Century technologies and keeps up with the private sector. Obama will appoint the nation's first Chief Technology Officer (CTO) to ensure that our government and all its agencies have the right infrastructure, policies and services for the 21st century. The CTO will work with each of the federal agencies, to ensure that they use best-in-class technologies and share best practices. Like he has in the campaign, Obama will employ innovative technologies, including blogs, wikis, social networking tools and other new strategies, to modernize internal, cross-agency, and public communication and information sharing.

CUT WASTEFUL SPENDING

Line by Line Review of Spending: Barack Obama and Joe Biden will conduct an exhaustive line-by-line review of the federal budget and seek to eliminate government programs that are not performing and demand that new initiatives be selected on the basis of their merits, not through a political process that rewards lobbyists and campaign donors.

Examples of Waste: An Obama administration will eliminate wasteful programs, such as:

- Ending overpayments to private insurers through the Medicare Advantage Program saving \$15 billion a year
- Ending federal subsidies to student loan providers and instead using the Direct Loan program, saving \$4 billion a year.
- Capping payments to wealthy farmers and closing loopholes that allow mega farms to collect more benefits, saving at least \$1 billion over the life of the Farm Bill
- Eliminating “Reading First,” originally a \$1 billion-a-year reading program that doesn't have much impact on the reading skills of the young students it's supposed to help.
- Cutting back and reforming the Economic Development Administration with its wasteful earmarks and ineffective spending.
- Cutting duplicative function at the Export-Import Bank, with its corporate welfare for large companies, and merging it with the Private Investment Corporation to enhance the useful trade-promotion activities.
- Hunting down waste and fraud within Medicare and Medicaid. Merck recently agreed to pay more than \$650 million to settle charges that it routinely overbilled federal and state Medicaid programs for its most popular medicines earlier this year. Barack Obama will empower the HHS inspector general, implement anti-fraud measures in CMS contracting, expand the scope of Medicare and Medicaid audits, strengthen the federal False Claims Act, encourage states to go after fraud, and increase funding for Justice Department prosecutors and FBI agents to fight this fraud.

Slash Earmarks: During the years when Republicans controlled Congress, earmarks grew from \$7.8 billion in 1994 to \$29 billion in 2006. In the past two years, the Democratic Congress has cut earmarks nearly in half, to \$17.2 billion in 2008. However this amount is still too much and includes such projects like \$188,000 for the Lobster Institute in Maine, and \$7.4 million for Richard Nixon’s presidential library. Barack Obama is committed to returning earmarks to less than \$7.8 billion a year, the level they were at before 1994, when the Republicans took control of Congress and the level of earmarks began increasing dramatically.

The Last Frontier in Earmarks: Notably, Alaska received the most earmarks per capita than any other state, \$555 per Alaskan, more than twice the second highest state. Earmarks to Alaska in recent years include \$3,200,000 for the High Frequency Active Auroral Research Program, “to further advance our knowledge of the physical and electrical properties of the Earth's ionosphere.” \$2,000,000 for the Bering Sea Crab Research and Management to study the mating habits of crabs and \$968,175 for berry research.

Sunlight on Corporate Tax Loopholes: The tax code is riddled with corporate loopholes and preferential regulations that benefit a handful of companies at the expense of the rest of the business community as well as ordinary families. Some large companies have managed to secure tax breaks or to hide their profits in overseas tax havens to not pay any American corporate taxes at all. Barack Obama will require any tax bill considered by Congress to include a Corporate Tax Impact Statement that would disclose which industries or specific companies would be expected to benefit from the new tax breaks.

Corporate Tax Loopholes Run Amok: Some 28 major corporations from 2001-2003 had negative tax liabilities, including CSX and Unisys. General Electric alone received almost \$9.5 billion in special corporate tax breaks from 2001-2003.

FIX GOVERNMENT CONTRACTING

Federal spending on contracts more than doubled under the Bush administration from \$203 billion in 2000 to \$412 billion in 2006. Agencies such as the Department of Defense and the Department of Energy spend more than half of their budgets on contracted products. But the GAO has found that agencies often get bad results including overcharges and underperformance in part because bad contract procedures and a lack of oversight. Moreover, federal agencies are increasingly seeking to contract out functions that should be done by the government. The privatization of IRS collection functions, military training and the administration of the GI Bill for veterans are examples of this. Barack Obama and Joe Biden will ensure we spend taxpayer money wisely by reforming the federal government's contracting process.

Cut Federal Spending on Contractors by at Least 10 Percent: Barack Obama will reform federal contracting and reduce the number of contractors, saving \$40 billion a year.

Restore Management and Oversight Capacity: The federal government's ability to manage contracts has not kept up with the increase in the volume and complexity of federal contracts. Barack Obama will hire more contract managers and improve training. He also will ensure that contract oversight remains within the federal government so that a contract's oversight is not outsourced to a business partner of the company doing the contract's work. Such an arrangement contributed to wasteful spending in the Coast Guard's \$24 billion Deepwater contract and the Department of Homeland Security's \$30 billion border security contract with Boeing. Obama will also require audits of a quarter of large contracts each year, focusing in the first year on noncompetitive and cost-plus contracts. The audit will verify performance and cost savings, as well as whether the work was appropriate for contracting out, the competition was done fairly, and the contractor treated its workers appropriately.

Waste in Contracts: Since it was created five years ago, the Department of Homeland Security has managed about \$15 billion in failed contracts. Contracts ranging from airline bag-screening to travel trailers for Hurricane Katrina victims were either over-budget, late or canceled after millions of dollars had already been spent. Among the contracts:

- "About \$351 million was wasted and not properly overseen in the U.S. Coast Guard's Deepwater program after ships were built and then scrapped."
- "A \$1.5 billion Boeing program to help secure U.S. borders with electronic sensors and other equipment is being shelved after it was over-budget, late and had technology problems."
- "A \$10 billion program called US VISIT, a computer system designed to record the entry and exit of visitors to the United States at airports and border crossings, is behind schedule and not being managed well."
- "And \$200 million was mismanaged and poorly spent in buying trailers from Bechtel and Fluor for Hurricane Katrina." [Washington Post 9/17/2008]

End Abusive No-Bid Contracts and Minimize the Use of Cost-Plus Contracts: In 2006, the federal government spent \$206.9 billion on contracts awarded without full and open competition, up from \$67.5 billion in 2000. Barack Obama will require each federal agency to defend each of its noncompetitive contracts to the Office of Management and Budget. In addition, cost-plus contracts have increased more than 75 percent under the Bush administration. These contracts are vulnerable to waste because they provide no incentive to control costs. Obama will encourage the use of fixed-cost or incentive-based contracts and when cost-plus contracts are

necessary, force agencies to use mitigating procedures like incentives tied to performance goals and cost savings.

Cheney's Halliburton Overcharged the US Government For No-Bid Contracts: The Washington Post wrote, "Vice President Cheney's old company Halliburton, one of a number of companies with close ties to the Republican Party given no-bid contracts by the Bush Administration to deliver services in the reconstruction effort in Iraq, overcharged the U.S. government, bilking millions of taxpayer dollars resulting in massive profits for the company. These no-bid contracts have had no congressional oversight from the Republican-controlled Congress, despite Democratic efforts to do so and prevent war profiteering."

No Federal Contracts for Tax Delinquent Companies: In numerous studies, GAO has found that tens of thousands of federal contractors have tax debts totaling billions of dollars. Barack Obama will build upon his work in the Senate to prohibit seriously delinquent contractors from getting contracts for government work.

Tax Cheats Still Get Contracts: In 2004, 27,000 contractors with the Department of Defense had unpaid taxes totaling about \$3 billion. In 2005, 33,000 contractors doing business with civilian federal agencies had unpaid taxes totaling \$3.3 billion. This year, 27,000 Medicare service providers, including physicians, hospitals, nursing homes, and hospices, which collectively received \$50 billion from Medicare in 2006, owe more than \$2 billion in unpaid taxes.

III. PUT IN PLACE A NEW SYSTEM OF FINANCIAL MARKETS REGULATION

Barack Obama believes that it is time to reconsider how we oversee financial markets in this country. Much of our regulatory apparatus was invented in the 1930s and our existing patchwork of federal and state regulation is not sufficient to provide the rules of the road in a 21st century economy. Obama believes that six key steps are necessary for reform:

- **Provide the Federal Reserve with supervisory authority over any financial institution to which it may make credit available as a lender of last resort.** The Federal Reserve does not exist to bail out financial institutions, but rather to ensure stability in our financial markets. As the Fed has opened its lending facilities to a broader array of financial institutions since Bear Stearns in March 2008 – and with this weekend's announcement that the Fed will accept a broader array of collateral from firms for the facility – the importance of matching this new openness with additional prudential oversight has only increased. The nature of such oversight should be commensurate with the degree and extent of contingent exposure for the Federal Reserve to specific institutions. At a minimum, it should include liquidity and capital requirements.
- **Capital, liquidity and disclosure requirements should be developed and strengthened for all financial institutions.** In light of the now widespread valuation problems of complex financial instruments such as many of the mortgage-backed securities, Senator Obama believes it is crucial that capital requirements are reexamined and strengthened. He supports the development and rigorous application of new standards for managing liquidity risk. And Obama supports an immediate investigation into the ratings agencies and their relationships to securities' issuers, similar to the investigation the European Union has recently announced.
- **End our balkanized framework of overlapping and competing regulatory agencies.** Prior to the 1999 repeal of Glass-Steagall, financial institutions fell into easily delineated categories (commercial banks, insurance companies, investment banks, etc.) and were therefore regulated by specific entities (SEC, Federal Deposit Insurance Corporation (FDIC), Commodity Futures Trading Commission, etc.). The large, complex institutions that dominate the financial landscape today no longer fit into discrete categories. We

need a streamlined system of oversight – one that reflects 21st century markets and that is capable of identifying where risks actually reside.

- **Regulate financial institutions for what they do, rather than who they are.** Our current oversight structure is rooted in the legal status of financial firms – even if they are in the same business as other companies. Banks are regulated by the Federal Reserve, the Office of the Comptroller of the Currency and the FDIC; thrifts by the Office of Thrift Supervision; investment banks by the SEC; and so on. This is true even when firms operate in the same business. This fragmented structure is incapable of providing the oversight necessary to prevent bubbles and to curb abuses. Obama believes that regulation should identify, disclose, and oversee risky behaviors – regardless of what kind of financial institution engages in them.
- **Crack down on trading activity that crosses the line to market manipulation.** Barack Obama believes that the SEC should aggressively investigate reports of market manipulation. Under the Bush administration, the SEC has been sapped of the funding, manpower and technology to provide effective oversight. The SEC’s budget was left flat or declining for three years and is currently less than it was in 2005. A 2007 GAO report found that the SEC lacked the computer systems to effectively make use of internal audits conducted by stock exchanges, “which may limit SEC’s ability to monitor unusual market activity, make decisions about opening investigations, and allow management to assess case activities, among other thing.” As a result, during a period of increasing market uncertainty and opacity, the SEC enforcement division has not effectively policed potentially manipulative behavior. The SEC’s FY2009 Budget Request itself shows that the percentage of first enforcement actions filed within two years of opening an investigation or inquiry fell from 69 percent in 2004 to 54 percent last year. Barack Obama believes we must have an effective, functioning cop on the beat to identify market manipulation, protect investors and avoid excessive speculation in financial markets.
- **Identify and address systemic risks to the financial system.** Barack Obama believes we must move quickly to establish a mechanism that can identify systemic threats to our financial system. He has called for the creation of a financial market oversight commission which would meet regularly and report to the president, the president’s Financial Working Group and Congress on the state of our financial markets and the systemic risks that face them. He also believes we must consider establishing a standardized process to resolve such systemic risk in an orderly manner without putting taxpayer dollars at risk.

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