

California's Angelides to Lead Financial Crisis Probe

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July 15 (Bloomberg) -- Former California Treasurer Philip Angelides will lead a panel charged by Congress with investigating causes of the financial crisis following public anger at the \$700 billion taxpayer rescue of Wall Street banks.

House Speaker Nancy Pelosi and Senate Democratic Leader Harry Reid today announced the appointment of Angelides, 56, who lost to Republican Arnold Schwarzenegger in the 2006 California gubernatorial race. House and Senate Republicans named former U.S. Representative Bill Thomas as the panel's vice chairman.

"The commission will conduct a thorough, systemic and non-partisan examination of the failures in both government and financial markets," Pelosi, a California Democrat, said in a statement. "The American people deserve nothing less than a full explanation of why so many people lost their homes, their life's savings and their hard-earned pensions."

The panel, with six members appointed by Democrats and four by Republicans, has subpoena power and may identify firms and individuals judged responsible for contributing to the deepest recession since the Great Depression. Congress modeled the commission on a 1930s panel headed by Senate staff member Ferdinand Pecora that led to the creation of agencies and laws that policed financial firms for seven decades.

Since September, the government has been forced to prop up firms including Citigroup Inc., Bank of America Corp., American International Group Inc., General Motors Corp. and housing finance companies Fannie Mae and Freddie Mac.

Brooksley Born

Democratic leaders also appointed Brooksley Born, former chairman of the Commodity Futures Trading Commission; former U.S. Senator Bob Graham of Florida; John Thompson, chairman of Cupertino, California-based Symantec Corp.; Heather Murren, a retired managing director at Merrill Lynch & Co.; and Byron Georgiou, a Las Vegas lawyer and member of the advisory board of Harvard Law School's corporate governance program.

In addition to Thomas, a California lawmaker for 28 years until 2007, House Republican Leader John Boehner of Ohio and Senate Republican Leader Mitch McConnell of Kentucky named Douglas Holtz-Eakin, former director of the Congressional Budget Office; Peter Wallison, a former Treasury Department general counsel; and Keith Hennessey, former director of the National Economic Council.

The commission has authority to hold hearings, and subpoena witness testimony and documents. Legislation approved by Congress requires the panel, which was provided \$8 million of funding, to issue a report on its findings by Dec. 15, 2010.

Potential Fraud

It will investigate potential fraud by financial executives and companies, the role of credit-rating firms in fueling the economic crisis, lending practices and the use of derivatives.

The “charge to the commission is very clear and that is that we are to leave no stone unturned,” Angelides said in an interview today when asked whether the panel would subpoena executives at Wall Street’s biggest firms.

“We will move forward to gather the facts and, if need be, we will issue subpoenas,” he said.

Angelides, a former board member of the California Public Employees Retirement System and the California State Teachers’ Retirement System, was the state’s treasurer from 1999 to 2007.

The statement by Pelosi and Reid said he had “expertise and accomplishments in the fields of investor protection, housing, finance and corporate and financial market reform.”

Campaign Contributions

When he ran for California governor in 2006, Angelides’s campaign received \$578,521 in donations from people in the securities and investment industry, according to FollowtheMoney.org.

Angelides received \$44,600 from Andrew Rappaport, a partner in the venture-capital firm August Capital, of Menlo Park, California, and \$43,600 from James Chanos, chairman and founder New York-based hedge fund Kynikos Associates Ltd. Leveraged buyout pioneer Jerome Kohlberg, and his wife, Nancy, together gave Angelides \$20,100, according to FollowtheMoney’s Web site.

Thompson in April stepped down as chief executive officer of Symantec, the biggest maker of security software. Since 2001, he has donated at least \$136,000 to Democratic candidates, including \$2,300 to Reid, according to OpenSecrets.org.

Murren, a Las Vegas resident who left New York-based Merrill in 2002, has contributed \$7,600 to Reid since 2001, according to OpenSecrets.org. Georgiou gave \$109,600 to Democrats for the 2008 election, including \$3,000 to Pelosi, according to OpenSecrets.org.

“The fact that some of these appointees are long-time California Democratic politicians and large donors to the political parties will certainly raise a question as to just how independent and thorough this committee will or can be,” said Lynn Turner, a former chief accountant at the Securities and Exchange Commission.

‘Stacked the Deck’

U.S. Representative Darrell Issa, who sponsored legislation creating the panel, faulted Pelosi for rejecting a call to let Democratic and Republican lawmakers each appoint five members.

Democrats “stacked the deck to cover up what they want to cover up and reveal what they want to reveal,” said Issa, a California Republican.

House Financial Services Committee Chairman Barney Frank, a Massachusetts Democrat, conceded the group will likely “split along party lines.”

“I’m skeptical they’re going to be able to come to a consensus,” Frank said in an interview.

The panel was named a month after the Obama administration introduced legislation aimed at preventing future crises.

Treasury Proposal

The Treasury Department on June 17 proposed the creation of a new agency to regulate consumer products, new capital and leverage restrictions for the biggest financial firms and called for the Federal Reserve to become responsible for monitoring companies whose collapse could roil markets.

Ex-regulators such as former SEC Chairman Arthur Levitt have questioned whether Congress should approve new rules before the investigative panel determines what caused the financial crisis.

Levitt is a board member of Bloomberg LP, the parent of Bloomberg News. He also serves as a senior adviser to the Carlyle Group and a consultant to Goldman Sachs Group Inc.

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