TOOMEY U.S. SENATE

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FACT CHECK: DSCC Ad Demonstrably False

Desperate Attack Ad Criticizes Toomey for Siding with Clinton, Biden, Specter, and 90% of Democrats

Allentown – Joe Sestak's Democratic Washington insider friends are so desperate and so afraid of Pat Toomey's lead in the polls, they are spending hundreds of thousands of dollars spewing lies about Pat's business career 20 years ago and criticizing him for supporting legislation that was favored by nearly all Democrats.

"It is a sign of how desperate Sestak's Washington friends are that they feel the need to swoop in to save liberal Joe Sestak's flailing campaign with ads filled with distortions and out-right lies," Toomey Communications Director Nachama Soloveichik said. "**The Democrats know that Joe Sestak is in trouble because he stood steadfastly for the bailouts of Wall Street, Fannie Mae and Freddie Mac, and the auto companies when Pat Toomey opposed them. They know that Sestak cannot defend his record of taking thousands of dollars from and buying stock in those same Wall Street banks after he voted to bail them out**. Pat has consistently stood up for taxpayers, while Joe Sestak has voted to throw taxpayer dollars at every bailout, every bloated spending bill, and ridiculous pork projects. No wonder they're scared."

LIE #1: Toomey helped pioneer the use of derivatives
FACT #1: Pat Toomey did not pioneer or create credit default swap derivatives—the kinds of derivatives the desperate Democrats are referring to. Pat worked for a bank fresh out of college starting in 1984, dealt with currency and interest rate swaps, and left the financial services industry in 1991. Credit default swaps were not invented until 1997 – long after Pat left the financial services industry.

- FactCheck.Org had this to say about credit default swaps: "According to Forbes' Investopedia, the first credit default swap contract was introduced in 1997. Derivatives Strategy magazine published an article that year that hailed 'The Long-Awaited Arrival of Credit Derivatives.' It put the genesis of the financial tool in 1991, with the introduction of 'collateralized loan obligations," but said it wasn't until recently (1997) that credit derivatives "are actually being used in the real world by real financial institutions.' Toomey's derivative days ended back in 1991, when he took a leave of absence from his financial job, opened a restaurant with his brothers and then started his foray into politics. He was elected to the House of Representatives in 1999." (Annenberg Political FactCheck Website, 04/02/09)

LIE #2: "They [derivatives] wound up nearly destroying our economy."
FACT #2: Pat Toomey dealt with a kind of common, non-risky derivatives (currency and interest rate swaps) that have been defended by Democrats like Barney Frank (D-MA) and Mike McMahon (D-NY.) That is why President Obama's financial regulation bill did not even touch those kinds of derivatives. Credit default swaps – which the Democratic ad is talking about – was not invented until 1997, long after Pat Toomey left the financial industry.

- According to Bloomberg News, "Democratic Rep. McMahon told Chairman Frank he was worried that Obama's derivatives plan would penalize a wide swath of U.S. corporations and could push jobs in his home district overseas." He said: "It's not just the farmers, and it's not just the Wall Street guys. It's across the nation. American industry uses these products for a very useful purpose, which keeps down prices and makes consumer products cheaper." Bloomberg reported that "McMahon said Rep. Frank agreed it was important to protect end-users, the corporations that rely on derivatives to hedge everyday operation risk, such as fluctuations in foreign currency rates, interest rates, and commodity prices." (*Bloomberg*, 10/09/09)
- Hundreds of businesses that have nothing to do with Wall Street use common derivatives, the kind Pat dealt with 20 years ago, to help their businesses. One hundred and seventy-one companies—all of them non-financial and some of them Pennsylvania-based—signed a letter highlighting the importance of commonplace, non-risky derivatives for their jobs. (Letter, 10/02/09)

LIE #3: "Toomey wrote the law to weaken oversight of Wall Street."
FACT #3: Pat Toomey did not write, nor was he even a cosponsor of, the Gramm-Leach-Bliley act the Democratic ad references. He voted for it along with 75% of the House and 90% of the Senate, and it was signed by President Bill Clinton. In addition, no credible person believes that Gramm-Leach-Bliley had anything to do with the housing crisis.

- The final version of Gramm-Leach-Bliley passed the House on November 4, 1999 362-57, with 207 Republicans and 155 Democrats supporting it, including Joe Hoeffel (PA-13), Tim Holden (PA-06), Robert Borski (PA-03), John Murtha (PA-12), Frank Mascara (PA-20), Charlie Rangel (NY-15), Jim Clyburn (SC-06), and Dick Gephardt (MO-03).
- The final version of Gramm-Leach-Bliley passed the Senate on November 4, 199990-8, with 52 Republican and 38 Democrats supporting it, including Arlen

Specter, Joe Biden, Chris Dodd, Dick Durbin, Ted Kennedy, John Kerry, and Harry Reid.

- President Clinton signed the bill into law, saying the law would "make sure that the 21st Century economy really works for our country." "'This is a day we can celebrate as an American day,' Clinton said at the signing ceremony in a White House auditorium . . . Praising Congress' bipartisan support for the legislation, Clinton said it is a victory for free markets and consumer protection." (AP, "Clinton Signs Financial Overhaul," 11/13/99)
- FactCheck.Org had this to say: "The claim is bogus. Gramm's legislation had broad bipartisan support and was signed into law by President Clinton. Moreover, the bill had nothing to do with causing the crisis, and economists – not to mention President Clinton – praise it for having softened the crisis . . . The truth is, however, the Gramm-Leach-Bliley Act had little if anything to do with the current crisis. In fact, economists on both sides of the political spectrum have suggested that the act has probably made the crisis less severe than it might otherwise have been . . . Observers as diverse as former Clinton Treasury official and current Berkeley economist Brad DeLong and George Mason University's Tyler Cowen, a libertarian, have praised Gramm-Leach-Bliley as having *softened* the crisis. The deregulation allowed Bank of America and J.P. Morgan Chase to acquire Merrill Lynch and Bear Stearns. And Goldman Sachs and Morgan Stanley have now converted themselves *into* unified banks to better ride out the storm." (Annenberg Political FactCheck Website, "Who Caused the Economic Crisis," 10/01/08)
- **President Clinton defended Gramm-Leach-Bliley:**
  - **Maria Bartiromo:** "Mr. President, in 1999 you signed a bill essentially rolling back Glass-Steagall and deregulating banking. In light of what has gone on, do you regret that decision?"
  - **President Clinton:** "No, because it wasn't a complete deregulation at all. We still have heavy regulations and insurance on bank deposits, requirements on banks for capital and for disclosure. I thought at the time that it might lead to more stable investments and a reduced pressure on Wall Street to produce quarterly profits that were always bigger than the previous quarter. But I have really thought about this a lot. I don't see that signing that bill had anything to do with the current crisis. Indeed, one of the things that has helped stabilize the current situation as much as it has is the purchase of Merrill Lynch (MER) by Bank of America (BAC), which was much smoother than it would have been if I hadn't signed that bill." (Business Week, 09/24/09)
- Pat Toomey was way ahead of the curve, warning of the "too-big-to-fail" problem back in 1999. Pat warned: "I'm concerned that the Federal Reserve sent a signal to Wall Street and the world . . . If it is indeed true that a firm can be too-big-to-fail, then all a firm has to do is get real big, and the Fed will rescue you." ("Wall Street's $4 Bln Fiasco, a Year Later," CBS MarketWatch, 09/18/99)

Background Information:

- Joe Sestak voted to bail out Fannie Mae and Freddie Mac (RC #519, 07/23/08)
- Joe Sestak voted to bail out Wall Street (RC #681, 10/03/08)

- Joe Sestak voted to bail out Wall Street again (RC #27, 01/22/09)
- Joe Sestak voted to bail out the auto companies (RC #690, 12/10/08)
- Joe Sestak took over $29,000 in campaign contributions from the very Wall Street banks he voted to bail out (Center for Responsive Politics)
- Joe Sestak purchased stock in Bank of America—a major recipient of TARP funds—right after he voted to bail out Bank of America (Morning Call, 06/16/09)

Paid for by Toomey for Senate

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