

U.S. SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Opening Statements of Committee Members

Opening Statement of Senator Daniel K. Akaka (D-HI)

Oversight Hearing on "Accounting and Investor Protection Issues Raised by Enron and Other Public Companies." 10:00 a.m., Tuesday, February 12, 2002 - Dirksen 538

Thank you Mr. Chairman. Last week, we examined the issue of financial literacy. The testimony of the witnesses confirmed my belief that all citizens need to be better prepared to make informed decisions regarding fundamental undertakings such as saving and investing for a comfortable retirement. However, as Enron, Sunbeam, and Waste Management have shown, even individuals with the greatest financial knowledge can be misled because of inaccurate and potentially fraudulent information provided by companies and approved by auditors.

Institutional investors owned seventy percent of Enron's shares according to the Chicago Tribune. Mutual fund managers, public employee pension plan administrators, and bankers were deceived by the accounting techniques used by Enron and approved by Andersen.

Those who suffered most from the collapse of Enron were 401(k) plan participants and individual investors. We all are all too aware of the Enron employees and retirees who staked their retirements on the future success of their company.

Institutional and individual investors were taken by surprise last fall when Enron announced a third quarter loss of \$638 million, reduction in stockholder's equity, overstated earnings, and significant debt to various partnerships.

Expanded participation in the financial markets has provided increased opportunities for individuals to build wealth. In my home state of Hawaii, over half of all households own stock. Investing decisions are already extremely complex. When information provided by companies is false, investors are not given the opportunity to make informed decisions. False information can lead to losses which destroy the wealth of investors.

I look forward to this Committee's thorough examination of accounting practices and investor protections. We must ensure that investors are provided reliable information to use in making their investment decisions.

I thank the witnesses for joining us and look forward to their recommendations on what can be done to restore the confidence in our financial markets after the implosion of Enron.

Again, Mr. Chairman, thank you for convening this hearing.