Even as we've proposed safeguards to make the failure of large and interconnected firms less likely, we've also proposed creating what's called "resolution authority" in the event that such a failure happens _and_ poses a threat to the stability of the financial system. This is intended to put an end to the idea that some firms are "too big to fail." For a market to function, those who invest and lend in that market must believe that their money is actually at risk. And the system as a whole isn't safe until it is safe from the failure of any individual institution.

If a bank approaches insolvency, we have a process through the FDIC that protects depositors and maintains confidence in the banking system. This process was created during the Great Depression when the failure of one bank led to runs on other banks, which in turn threatened the banking system. And it works. Yet we don't have any kind of process in place to contain the failure of a Lehman Brothers or AIG or any of the largest and most interconnected financial firms in our country.

That's why, when this crisis began, crucial decisions about what would happen to some of the world's biggest companies – companies employing tens of thousands of people and holding trillions of dollars in assets – took place in hurried discussions in the middle of the night. And that's why we've had to rely on taxpayer dollars. The only resolution authority we currently have that would prevent a financial meltdown involved tapping the Federal Reserve or the federal treasury. With so much at stake, we should not be forced to choose between allowing a company to fall into a rapid and chaotic dissolution that threatens the economy and innocent people, or forcing taxpayers to foot the bill. Our plan would put the cost of a firm's failure on those who own its stock and loaned it money. And if taxpayers ever have to step in again to prevent a second Great Depression, the financial industry will have to pay the taxpayer back – every cent.

Finally, we need to close the gaps that exist not just within this country but among countries. The United States is leading a coordinated response to promote recovery and to restore prosperity among both the world's largest economies and the world's fastest growing economies. At a summit in London in April, leaders agreed to work together in an unprecedented way to spur global demand but also to address the underlying problems that caused such a deep and lasting global recession. This work will continue next week in Pittsburgh when I convene the G20, which has proven to be an effective forum for coordinating policies among key developed and emerging economies and one that I see taking on an important role in the future.

Essential to this effort is reforming what's broken in the global financial system – a system that links economies and spreads both rewards and risks. For we know that abuses in financial markets anywhere can have an impact everywhere; and just as gaps in domestic regulation lead to a race to the bottom, so too do gaps in regulation around the world. Instead, we need a global race to the top, including stronger capital standards, as I've called for today. As the United States is aggressively reforming our regulatory system, we will be working to ensure that the rest of the world does the same.

A healthy economy in the 21^st Century also depends upon our ability to buy and sell goods in markets across the globe. And make no mistake, this administration is committed to pursuing expanded trade and new trade agreements. It is absolutely essential to our economic future. But no trading system will work if we fail to enforce our trade agreements. So when, as happened this weekend, we invoke provisions of existing agreements, we do so not to be provocative or to promote self-defeating protectionism. We do so because enforcing trade agreements is part and parcel of maintaining an open and free trading system.

And just as we have to live up to our responsibilities on trade, we have to live up to our responsibilities on financial reform as well. I have urged leaders in Congress to pass regulatory reform this year and both Congressman Frank and Senator Dodd, who are leading this effort, have made it clear that that's what they intend to do. Now there will be those who defend the status quo. There will be those who argue we should do less or nothing at all. But to them I'd say only this: do you believe that the absence of sound regulation one year ago was good for the financial system? Do you believe the resulting decline in markets and wealth and employment was good for the economy? Or the American people?

I've always been a strong believer in the power of the free market. I believe that jobs are best created not by government, but by businesses and entrepreneurs willing to take a risk on a good idea. I believe that the role of government is not to disparage wealth, but to expand its reach; not to stifle markets, but to provide the ground rules and level playing field that helps to make them more vibrant – and that will allow us to better tap the creative and innovative potential of our people. For we know that it is the dynamism of our people that has been the source of America's progress and prosperity.

So I certainly did not run for President to bail out banks or intervene in the capital markets. But it is important to note that the very absence of common-sense regulations able to keep up with a fast-paced financial sector is what created the need for that extraordinary intervention. The lack of sensible rules of the road, so often opposed by those who claim to speak for the free market, led to a rescue far more intrusive than anything any of us, Democrat or Republican, progressive or conservative, would have proposed or predicted.

At the same time, what we must do now goes beyond just these reforms. For what took place one year ago was not merely a failure of regulation or legislation; it was not merely a failure of oversight or foresight. It was a failure of _responsibility_ that allowed Washington to become a place where problems – including structural problems in our financial system – were ignored rather than solved. It was a failure of responsibility that led homebuyers and derivative traders alike to take reckless risks they couldn't afford. It was a collective failure of responsibility in Washington, on Wall Street, and across America that led to the near-collapse of our financial system one year ago.

Restoring a willingness to take responsibility – even when it is hard – is at the heart of what we must do. Here on Wall Street, you have a responsibility. The reforms I've laid out will pass and these changes will become law. But one of the most important ways to rebuild the system stronger than before is to rebuild trust stronger than before – and you do not have to wait for a new law to do that. You don't have to wait to use plain language in your dealings with consumers. You don't have to wait to put the 2009 bonuses of your senior executives up for a shareholder vote. You don't have to wait for a law to overhaul your pay system so that folks are rewarded for long-term performance instead of short-term gains.

The fact is, many of the firms that are now returning to prosperity owe a debt to the American people. Though they were not the cause of the crisis, American taxpayers through their government took extraordinary action to stabilize the financial industry. They shouldered the burden of the bailout and they are still bearing the burden of the fallout – in lost jobs, lost homes and lost opportunities. It is neither right nor responsible after you've recovered with the help of your government to shirk your obligation to the goal of wider recovery, a more stable system, and a more broadly shared prosperity.

So I want to urge you to demonstrate that you take this obligation to heart. To put greater effort into helping families who need their mortgages modified under my administration's homeownership plan. To help small business owners who desperately need loans and who are bearing the brunt of the decline in available credit. To help communities that would benefit from the financing you could provide, or the community development institutions you could support. To come up with creative approaches to improve financial education and to bring banking to those who live and work entirely outside the banking system. And, of course, to embrace serious financial reform, not fight it.

Just as we are asking the private sector to think about the long term, Washington must as well. When my administration came through the door, we not only faced a financial crisis and costly recession, we also found waiting a trillion-dollar deficit. Yes, we have had to take extraordinary action in the wake of an extraordinary economic crisis. But I am committed to putting this nation on a sound and secure fiscal footing. That's why we're pushing to restore pay-as-you-go rules, because I will not go along with the old Washington ways which said it was OK to pass spending bills and tax cuts without a plan to pay for it. That's why we're cutting programs that don't work or are out of date. And that's why I've insisted that health insurance reform not add a dime to the deficit, now or in the future.

There are those who would suggest that we must choose between markets unfettered by even the most modest of regulations – and markets weighed down by onerous regulations that suppress the spirit of enterprise and innovation. But if there is one lesson we can learn from the last year, it is that this is a false choice. Common-sense rules of the road do not hinder the markets but make them stronger. Indeed, they are essential to ensuring that our markets function, and function fairly and freely.

One year ago, we saw in stark relief how markets can err; how a lack of common-sense rules can lead to excess and abuse; how close we can come to the brink. One year later, it is incumbent on us to put in place those reforms that will prevent this kind of crisis from ever happening again; that reflect the painful but important lessons we've learned; and that will help us move from a period of recklessness and crisis to one of responsibility and prosperity. That is what we must do. And I'm confident that is what we will do.

Thank you.