



CONGRESSMAN RON KLEIN



SERVING FLORIDA'S 22<sup>ND</sup> CONGRESSIONAL DISTRICT

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September 24, 2008

## **Klein Opening Statement at Committee Hearing on Economic Crisis**

**Washington, D.C.** – Congressman Ron Klein (FL-22), a member of the House Financial Services Committee, today delivered an opening statement at the committee's hearing entitled "The Future of Financial Services: Exploring Solutions for the Market Crisis." Witnesses at the hearing were Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke.

The text of Klein's opening statement, as prepared for delivery, follows.

### **Opening Statement of Congressman Ron Klein (FL-22)**

*September 24, 2008*

Mr. Chairman, thank you for holding this hearing today. Today marks a critical moment in the national conversation about how to respond to the nation's financial difficulties, and the American people must have a voice in this discussion.

I have heard from many of my constituents this week, including:

- The 84-year-old man, living off his retirement savings, who is unsure of how stable his future is.
- The small business owner who does not have access to credit and does not know if he can afford to pay his employees this month.
- The resident who cannot get a loan to purchase an automobile.

Though the debate is still ongoing and the details of the rescue plan have yet to be finalized, we must include these hard-working people in our road to recovery.

For the last eight years, our financial markets have been under the watch of regulators who have been limited in their regulatory responsibilities by the Administration, or in some cases, who don't believe in regulation in all. In addition, this problem has been compounded by a lack of personal responsibility by some borrowers, buyers and sellers in sophisticated financial instruments. And now, every American is now feeling the consequences of this inaction.

And now, after months of telling us not to worry, and that “the market will fix itself,” the Administration is asking ordinary Americans to pay the debt of those who made bad investment decisions. Secretary Paulson’s 2-page plan to spend \$700 billion with no real details on how the money will be spent and no oversight to keep the system in check is unacceptable.

Instead of just accepting this massive plan, Congress’s financial recovery plan must have robust taxpayer protection and safeguards and ample oversight. Secretary Paulson stresses that the plan must boost market confidence; I believe that American taxpayer confidence is just as important.

Any plan considered by Congress must include the following four points:

1. Independent oversight of how this money is being spent, to avoid a future financial crisis.
2. Limits on executive compensation. The same people who drove these companies into the ground should not benefit in any way whatsoever from taxpayer money.
3. Taxpayers cannot just be asked to invest in bad assets. That is simply not fair. Taxpayers must get some upside in this plan; they should get stock or warrants in the companies that participate in this rescue plan, so that if those companies survive and prosper, the American taxpayer will benefit.
4. I hope that as this plan is developed, we consider a phased-in approach for funding. Secretary Paulson said that Treasury does not plan on using the entire \$700 billion at once. After phasing in the first installment, if the program is working and Treasury needs more money, then they can come back to Congress to ask for it. This is a common-sense solution to protect taxpayer dollars and restore market confidence.

This plan must also be accompanied by long-term regulatory reform so that we can ensure that this kind of crisis never happens again. Our current regulatory framework is duplicative and outdated. We need a system that works with the financial market that exists today, not a system that was designed in response to the Great Depression. Smarter regulation does not mean burdening business; rather, our economy will be stronger with more effective oversight.

We must also encourage competition among financial institutions so that consumers have more options. One of the reasons that we are in this mess is that our institutions were “too big to fail.” It is dangerous for our economy to rely too much on few institutions.

Finally, regulatory and rating agencies must be able to keep up with the times and be able to determine if a financial product is safe. Several of America’s leading economists have called for a Financial Product Safety Commission, like the US government’s Consumer Product Safety Commission. I believe that this is an idea that is worth considering. The administration and Congress must work together to ensure that agencies have the right tools to conduct improved oversight, so that the American people can be confident that their money is secure.

Mr. Chairman, once again, thank you for calling this important hearing. I look forward to an informative and lively discussion here today with Chairman Bernanke and Secretary Paulson.

The bottom line is this: we need a financial rescue plan that protects the American taxpayer and restores confidence in our financial system. Swift action may be necessary to stabilize our financial system, but we in Congress also have a responsibility to investigate what got us into this mess in the first place, fix the system, and protect American families and their life savings.

Thank you.