# Statement of the U.S. Chamber of Commerce

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**ON:** UTILIZING TECHNOLOGY TO IMPROVE TARP AND FINANCIAL OVERSIGHT

**TO:** THE U.S. HOUSE OF REPRESENTATIVES SUBCOMMITTE ON OVERSIGHT AND INVESTIGATIONS

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The Chamber's mission is to advance human progress through an economic,
political and social system based on individual freedom,
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance – is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 112 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

**Testimony of Thomas Quaadman**

**Executive Director, Center for Capital Markets Competitiveness**

**U.S. Chamber of Commerce**

**September 17, 2009**

**Before the U.S. House of Representatives Subcommittee on Oversight and Investigations**

Chairman Moore, Ranking Member Biggert and members of the Oversight and Investigations Subcommittee, thank you for the opportunity to speak before you today on this subject of great importance to taxpayers and our economy.

Earlier this week we marked the first anniversary of the collapse of Lehman Brothers. In the days and weeks following the Lehman collapse, the United States and the Global economy stood on the precipice of an outright collapse. The credit markets were frozen, consumers stopped spending, businesses started to contract and we saw the first electronic run on financial institutions.

To prevent a widespread collapse, the Bush Administration and Congress took unprecedented and dramatic action in passing and enacting the Emergency Economic Stabilization Act ("EESA"). The centerpiece of the EESA is the Troubled Asset Relief Program, also known as TARP. With over $700 billion in federal funding, the purpose of TARP is to stabilize the financial system and help create the conditions for recovery.

The U.S. Chamber of Commerce lobbied for the creation of the TARP program and continues to support efforts to improve the program to ensure its success. With banks not lending, businesses lost the liquidity needed to function, while simultaneously, consumer spending, which makes up 70% of our economy, was shrinking at an historic rate. Simply put, the financial crisis had driven the United States to its worst economic predicament since the Great Depression. In order for businesses to function and for an economic recovery to take hold, the financial services sector needed immediate shoring up and that vehicle was TARP.

As originally passed, TARP was intended to purchase toxic assets and take them off of the balance sheets of financial institutions. However, Treasury Secretary Paulson opted to use an alternative provision of the EESA when it became apparent that the valuation of the toxic assets was too difficult and that a purchase program would take too long to have an immediate impact. Consequently it was decided that the TARP funds would be used to inject capital into struggling or systemically important financial institutions.

The TARP program has had its problems, but a year later we can say that an outright collapse was avoided, the financial sector is stabilizing, and the first signs are appearing that an economic recovery is taking hold.

While the Chamber has stood by the TARP program, we have also supported efforts to improve its implementation. As with any government program, the Chamber believes that there needs to be accountability for taxpayer dollars. This is particularly true with the massive expenditure of government monies through an expedited process. Simply put, the American people have the right to know where and how their hard-earned money is being spent.

President Obama recently announced firms that have fully repaid their TARP funds have provided taxpayers with a return of 17%. This proves that TARP can be successful. However, any potential misallocation or misuse of taxpayer dollars may erode support for the TARP program, undermine confidence of the firms in TARP, and possibly harm efforts to stabilize the financial sector. By building transparency into the administration of TARP, accountability will be enhanced and taxpayers can have trust in the program and the expenditure of resources. Accountability for the use of taxpayer dollars helps establish the confidence that is needed for TARP to stabilize the financial sector.

Because of the need for accountability and transparency, the Chamber wrote to Congress on June 11, 2009 in support of the H.R. 1242, the “TARP Accountability and Disclosure Act.” This bi-partisan bill, sponsored by Representatives Carolyn Maloney and Peter King represents an important step forward in creating and enforcing accountability in the TARP program. The Maloney-King Bill would improve the efficiency of information delivery regarding the TARP program and the way in which federal dollars are tracked and monitored.

Currently, information regarding TARP funds that have been expended is spread across multiple federal agencies, using incompatible formats making it a daunting task for government officials or taxpayers to gain a clear understanding of how TARP funds are being used. The Maloney-King bill would require the use of existing technologies to create a single publicly accessible data base that can track TARP funds in near real time. This level of transparency will help avoid the misuse of funds and develop a level of confidence that is integral to the success of TARP.

It should be noted that Senators Mark Warner and Sherrod Brown have proposed similar legislation and that the Chamber has also written the Senate in support of the Warner-Brown bill.

The implementation of the Maloney-King bill would provide a benefit that would outweigh any costs. By instilling a higher level of transparency in TARP, efforts to facilitate confidence will be advanced. It goes without saying that the meltdown that occurred after the Lehman collapse was ultimately a crisis in confidence. By restoring confidence in our financial system, efforts to restore growth in the real economy will take hold. It is no coincidence that recent reports of a rise in consumer confidence and spending coincide with the sprouting of green shoots of recovery.

Nevertheless, in considering the implementation of legislation such as the Maloney-King bill, serious concerns need to be addressed in order for an appropriate balance to be struck amongst competing interests.

It should be noted that information must be relevant and that appropriate context be given in order to provide an understanding of the use of TARP funds. A simple information dump will create confusion and a lack of comprehension ultimately degrading transparency and causing a loss of confidence in TARP. Therefore, an appropriate discussion of the context and relevance of information is needed to facilitate it usage. Such contextual disclosures and discussion are used in corporate financial reports to assist investors in comprehending information and making informed economic decisions.

Similarly, Congress needs to investigate the privacy implications that may impact individuals or businesses that may have been loaned money by TARP recipients using TARP funds. Congress has previously passed legislation, such as the Privacy Act and Gramm-Leach-Bliley that puts in place a number of safeguards to prevent government or financial services firms from disclosing the financial information of individuals or businesses. Those safeguards should remain in place and a TARP database should have safeguards in place to protect privacy. Thought should also be given to how such a database could be used by non-TARP business competitors to create a competitive advantage.

Nevertheless, the Chamber believes that these issues can be addressed. In conclusion, we again reiterate our strong support for the Maloney-King bill and any efforts to increase transparency and accountability in the TARP program. I will be happy to take any question that you may have.

# Thomas Quaadman

## Executive Director for Reporting Policy and Investor Opportunity, U.S. Chamber Center for Capital Markets Competitiveness

Thomas Quaadman is the executive director for Reporting Policy and Investor Opportunity at the U.S. Chamber Center for Capital Markets Competitiveness. The Center was established in March 2007 to advocate legal and regulatory policies for the U.S. capital markets to advance the protection of investors, promote capital formation, and ensure U.S. leadership in the financial markets in the 21st century.

Quaadman develops and executes strategic policies to implement a global corporate financial reporting system, address ongoing attempts of minority shareholder abuse of the proxy system, communicate the benefits of efficient American capital markets, and promote an innovation economy and the long-term interests of all investors.

Prior to joining the Chamber, Quaadman was chief of staff to Congressman Vito John Fossella Jr. (R-NY) from 1997 to 2008. In that capacity, he helped establish the Republican Policy Committee Task Force on Capital Markets, Economic, and Information Security to develop a legislative program on economic competitiveness. Quaadman also worked on the passage of the Investors Capital Markets Fee Relief Act. This act reduced SEC transaction fees, representing a savings of billions of dollars for investors.

Quaadman graduated cum laude from New York Law School and is a graduate of the College of Staten Island. He is a member of the New York and Connecticut state bars. Quaadman and his wife, Tara, and their children, Creighton and Alexandra, reside in Alexandria, Virginia.

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