

Bachus: It Is Time To End The Bailouts

WASHINGTON - Statement of Congressman Spencer Bachus, the top Republican on the Financial Services Committee, during consideration of the Democrats' bailout authority legislation.

"The Committee Print of the 'Financial Stability Improvement Act' grants unprecedented authorities to the executive branch to expand the government's 'too big to fail' policies of the past few years. Regardless of the nomenclature used to camouflage this fact, the provisions of this proposed legislation will give the government practically unlimited power to continue to pour taxpayers' money into failed businesses whose misguided schemes devastated our economy last year. This cannot continue. It is time, once and for all, to end the bailouts.

"We all recognize the need for a resolution regime for large, interconnected, non-bank financial companies. Republicans have offered a plan that accomplishes this essential purpose with as little government intrusion in private capital markets as is feasible. We propose resolving insolvent business entities through an enhanced bankruptcy process. Rather than bailing out an insolvent firm's creditors and counterparties at the expense of the financial system as a whole or taxpayers, enhanced bankruptcy would force those who extend credit to pay attention before they turn their money over to reckless managers. When trouble does arise, creditors who do not expect a bailout will work to privately resolve failing institutions rather than standing by waiting on the government to step in.

"Enhanced bankruptcy is the right solution. Congress needs to apply the lessons learned from the last year and not enshrine permanent bailouts and the 'too big to fail' doctrine into law.

"Mr. Chairman, at a time when our federal financial agencies are groaning under the burden of previous bailouts and an extraordinary level of federal agency debt, it is time to end the bailouts.

"Mr. Chairman, I oppose this bill and I urge my colleagues to do the same."