

No More Bailouts!

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Republicans Reject The Democrats' Plan
To Continue Taxpayer Funded Bailouts

Republican Plan Ends Bailouts

On October 27, the Obama Administration released a legislative proposal to continue taxpayer funded bailouts.

While Republicans want to bring an end to taxpayer funded bailouts, the Administration's proposal seeks to establish permanent bailout authority.

The legislation requires regulators to identify financial companies and financial activities that should be subject to heightened prudential standards, and it establishes a resolution fund that places taxpayers on the hook for bailing out failed institutions.

In testimony before the Financial Services Committee, Secretary Geithner has refused to commit to limit the amount of taxpayer dollars that would be available to bail out large firms. The government's track record in committing hundreds of billions of taxpayer dollars to rescue AIG, General Motors, Chrysler, Fannie Mae, and Freddie Mac, suggests that taxpayers will be forced to pay for mistakes made on Wall Street in the future.

The Administration's proposal also expands the powers of the Federal Reserve when it has proven incapable of addressing systemic risks before they occur.

The Fed has historically done a poor job of identifying and addressing systemic risks before they become crises. In addition, the extraordinary market interventions conducted by the Federal Reserve since the onset of the financial crisis have added trillions of dollars to the government's balance sheet and taken it far afield from its core mission of conducting the nation's monetary policy.

In July, House Republicans introduced legislation, H.R. 3310, that commits the government to a no bailout policy. The legislation creates an enhanced bankruptcy proceeding for all failed non-banks, no matter how large or "systemically important."

The Federal bankruptcy process, free of political influence, is a better solution to resolve failed non-banks. Bankruptcy is a fair, transparent process, and protects taxpayers. Bankruptcy ensures creditors and counterparties of failed firms bear the losses, not the taxpayers.